Austria Sch 20	Indonesia Rp 2500	Philippines Pes 20
Bahrain Din 0.550	Israel Shk 3.50	Portugal Esc 90
Belgium BFr 45	Italy L 1500	S. Arabia Rls 6.00
Canada C$1.00	Japan Y500	Singapore S$4.10
Cyprus C£0.70	Jordan Fils 500	Spain Pta 125
Denmark DKr 8.00	Kuwait Fils 500	Sri Lanka Rup 30
Egypt E£1.00	Lebanon L£25.00	Sweden Skr 7.00
Finland FmK 6.50	Luxembourg Lfr 45	Switzerland SFr 2.20
France FFr 6.00	Malaysia Rin 4.25	Taiwan NT$65
Germany DM 2.20	Mexico Pes 360	Tunisia Din 1.375
Greece Dr 80	Morocco Dh 6.00	Turkey L 350
Hong Kong HK$12	Netherlands Fl 2.75	U.A.E. Dh 6.50
India Rup 15	Norway Nkr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,007 Friday August 15 1986 D 8523 B

Chemicals: a new frontier develops, Page 10

World news | Business summary

Violence escalates in South Africa

Political violence in South Africa increased sharply, with trouble centred on Soweto township near Johannesburg. Black students protesting against the presence of security forces burnt new identity cards and attacked vehicles and homes.

In the black homeland of KwaNdebele, nine blacks killed a 65-year-old woman and security men opened fire, killing one of the attackers, the Bureau of Information said. Nordic pressure, Page 2; mines dispute, Page 3

Marcos 'coup plot'

Philippine Defence Minister Juan Ponce Enrile said he had evidence that supporters of ousted leader Ferdinand Marcos were plotting a fresh coup attempt about the time President Corazon Aquino visits the US next month. Aquino's distrust, Page 2

Seoul riot police

Thousands of riot police cordoned off the headquarters of South Korea's main opposition party to prevent a mass turnout at a rally called to denounce the alleged torture of detained dissidents.

Bomb hits Beirut

A car bomb ripped through a narrow street in Christian east Beirut in the rush hour, killing at least 20 people and wounding 100. It was the eighth booby-trapped car to explode in the Christian sector this year. Page 3

Gulf raid killed 16

Sixteen crewmen were killed on the Iranian-owned supertanker Azarpad in Tuesday's Iraqi raid on Iran's Gulf oil terminal at Sirri Island, survivors said. The toll was the highest in a single strike on shipping during the six-year-old Gulf war. Iran moves oil storage, Page 2

Aid for Contras

The US Senate voted 53 to 47 to approve President Reagan's $100m package of military aid for Contra guerrillas fighting the left-wing Sandinista government in Nicaragua. Page 4

Spain-PLO move

Spain granted official status to the Palestine Liberation Organisation (PLO) mission in Madrid in what is seen as an attempt to balance its opening of diplomatic relations with Israel and enhance its role in the Middle East.

Airlift to Sudan

The Red Cross launched an emergency food airlift to ease the mass starvation that threatens southern Sudan as a result of civil war. Page 3

Tamil peace talks

Moderate Tamil leaders returned to Sri Lanka from India to resume peace talks with the government. Separatists Tamil guerrillas set off a landmine in front of a military jeep but no one was hurt. Page 2

Vietnam release

President Reagan welcomed the release of an American citizen by Vietnam. Robert Schwab, 43, of Atlanta, Georgia, was detained more than a year ago when he arrived in a small boat in search of his Vietnamese fiancée.

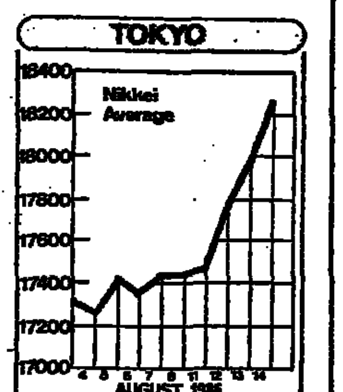
Chess game draw

Defending chess champion Garry Kasparov and challenger Anatoly Karpov agreed to draw the seventh game in their world chess championship. The score is 3½ to 3½ with one victory each.

KLM profit falls by 29%

KLM Royal Dutch Airlines incurred a 29 per cent drop in profits to Fl 82.2m ($35.7m) in the first quarter due to smaller revenue resulting from stiffer competition and the sharply lower dollar. Page 13

TOKYO share prices closed higher for the sixth consecutive day fuelled by expectations of co-ordinated interest rate cuts. The Nikkei market average gained 263.95 to finish at a record 18,264.71. Page 32



WALL STREET: The Dow Jones industrial average closed up 0.42 at 1,844.91. Page 32

LONDON: Equities continued to rise and gilts were also higher. The FT Ordinary share index finished 2.2 higher at 1,263.2 and the FT-SE 100 index rose 7.2 to 1,588.2. Page 32

DOLLAR fell in London to DM 2.0620 (DM 2.0700); SFr 1.6620 (SFr 1.6700); FFr 6.7075 (FFr FFr 6.7350) and Y153.70 (Y154.25). On Bank of England figures the dollar's exchange index fell 0.4 to 110. Page 25

STERLING rose in London to $1.4935 ($1.4860); FFr 10.0175 (FFr 10.0075); Y229.50 (Y229.25) and DM 3.0800 (DM 3.0750) but was unchanged at SFr 2.4825. The pound's exchange rate index fell 0.1 to 71.4. Page 25

GOLD fell $0.75 to $384.75 on the London bullion market. It fell in Zurich to $384.20 from $385.50.

In New York the Comex December settlement was $393.70.

BANK OF FINLAND took a cautious step towards lowering short-term interest rates by cutting the call money rate to 35 per cent from the record 40 per cent level set a week ago to stem speculation against the Finmark. Page 2

EUROPEAN Commission in Brussels and the Bonn Government are launching an investigation into the plans by Daimler-Benz to build a new DM 1.8bn ($869m) car plant in Baden-Württemberg. There are suspicions that help from the local state government might contravene competition and subsidy regulations in the Community. Page 12

PLESSEY, UK electronics group, increased first quarter pre-tax profits by 10.5 per cent to £43.3m ($64.3m). Page 17; Lex, Page 12

PHARMACIA, Swedish pharmaceuticals and biotechnology group, reported a 16 per cent increase in profits after financial items for the first six months of this year. Page 13

ASEA, Swedish electrical engineering group, boosted its turnover by 22.5 per cent in the first six months of the year to SKr 22.7bn ($3.3bn), helped by the invoicing of the Oskarshamn 3 nuclear power station. Page 13

DALLAS real estate syndicator Craig Hall, who has been negotiating since January to restructure more than $700m in debt, has filed a $275m damages suit in Dallas, Detroit against the Federal Savings and Loan Deposit Insurance Corporation. Page 13

SAGA PETROLEUM, independent Norwegian oil company, reported a doubling of half-year profits over a year earlier to NKr 342.8m ($46.9m) despite sharply increased operating costs. Page 14

Bangemann says German growth on target for 3%

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S gross national product (GNP) grew by between 1.5 and 2 per cent in the second quarter, allowing Mr Martin Bangemann, the Economics Minister, to claim yesterday that the country was on target for a respectable 3 per cent expansion for the whole of 1986.

Mr Bangemann's remarks came at a press conference at which he again seized the chance to reject demands, from the US in particular, that Bonn should do more to stimulate growth. He argued that the second quarter pick-up was proof that West Germany was already doing as much as it could to serve as a "locomotive" for the global economy.

The improved second-quarter performance came after a disappointing first three months when total output contracted by 1 per cent from the final quarter of 1985. It means, according to Economics Ministry estimates, that GNP for the first half as a whole was running about 2.5 per cent above the level of 1985.

"In the second half, we need annual growth of up to 3.5 per cent to get 3 per cent for the whole year," Mr Bangemann said. "But recent experience shows that in West Germany, the second half is usually better than the first."

Yesterday's characteristic ebullience on the part of the minister was based on further evidence that domestic demand, chiefly in the shape of corporate investment and private consumption, was taking over from exports as the principal generator of expansion.

Although the real growth of exports was now down to between 1 per cent and 2 per cent, demand at home was running 4.5 per cent ahead of 1985. This in turn had contributed to a jump by imports of nearly 7.5 per cent in volume terms in the first half.

The Economics Minister has also produced detailed figures designed to show that despite appearances to the contrary, Germany's huge merchandise trade surplus, the target of continual attack from Washington, was starting to decline in real terms in response to the recent upward valuation of the D-Mark and the weakness of the dollar.

The ministry maintains that the DM 50.3bn ($24.2bn), surplus in the first half of 1986 would have dropped to DM 19.7bn had export and import prices stayed at 1985 levels. Instead, import prices were 15 per cent lower thanks to the slump in oil prices and the strength of the D-Mark, while export prices were only 2.8 per cent down. Of the actual surplus, DM 30.6bn was due to price fluctuations alone.

Mr Bangemann said that the upswing would stretch into a fifth year in 1987, accompanied by continuing price stability. Although he refused to venture an exact prediction, Mr Otto Schlect, his state secretary at the ministry, said that current budgeting was based on the assumption of further growth of 3 per cent.

The improvement may also spill over into the employment market. Bonn reckons that 3 per cent growth in 1987 would create a further 300,000 jobs, meaning that nearly 1m would be generated in the three years starting in 1985. For 1986, the ministry is expecting a slight fall in average unemployment to 2.2m from 2.3m last year.

Editorial comment, Page 10

Bundesbank may cut key rates by end of month

BY JONATHAN CARR IN FRANKFURT

THE BUNDESBANK looks set to drop its key interest rates shortly, following its first thorough policy review yesterday after the summer recess.

The cuts could come as early as August 28 when the central bank council holds its next meeting, but at present, a date in September is considered more likely.

The exact timing depends not least on whether the dollar continues its rapid fall and how far rate cuts can be co-ordinated with other leading nations.

Yesterday's council meeting came in the wake of renewed appeals by the US to its partners to take further action to boost economic growth, thus increasing imports and helping to cut the US trade deficit.

The latest appeal is understood to have been relayed to Mr Karl Otto Pöhl, the Bundesbank president, by Mr Paul Volcker, chairman of the US Federal Reserve Board, in talks last weekend.

The Bundesbank has concluded that from the purely domestic viewpoint there is no case for dropping the discount rate, cut to 3.5 per cent in March, or the Lombard rate, reduced to 5.5 per cent last August.

It notes that second-quarter economic growth was strong after a weak start to the year, use of manufacturing capacity is high, industrial investment is buoyant and companies broadly have plenty of cash.

With money supply still exceeding the target set last year, the Bundesbank fears a further relaxation of policy might feed inflation rather than promote real economic growth.

Despite all that, external factors are now counting more heavily for the Bundesbank than when the council held its last, pre-holiday meeting in July.

For one thing, the dollar has dropped to around DM 2.06, more than 50 per cent below the level at the start of 1985 and some 20 per cent down on the level at the beginning of this year.

It is feared that if the Fed went ahead with another cut in the US discount rate (currently 6 per cent) on its own, the dollar rate would drop sharply – further squeezing the price competitiveness of German exports.

It is also recognised that the Reagan administration needs some evidence of help from partner countries if it is to stave off strong threats of protectionist action by the Congress.

The Bundesbank does not believe that a drop of, perhaps, 0.5 percentage point in the German discount rate would of itself have much effect on the exchange rate and trade problems.

But it is felt that action taken at about the same moment with Japan and other European partners could have a psychological impact on currency

Continued on Page 12

Soviets may buy EEC grain as US pressed to raise subsidy

BY TIM DICKSON IN BRUSSELS AND NANCY DUNNE IN WASHINGTON

THE EUROPEAN Community yesterday agreed plans to export 1m tonnes of its surplus grain stocks from the beginning of next month, amid speculation among traders that large Soviet cereal purchases from the EEC might be imminent.

The EEC move, which is unusual at this time of year, is seen in Brussels – in part at least – as a response to US efforts to boost wheat sales to the Soviet Union by offering subsidies.

It is likely to intensify competition in the glutted world grain market, where prices have been falling sharply in the past few months as a result of attempts by rival exporters to maintain market shares.

It also comes amid mounting pressure on the Reagan administration to increase the subsidy on the 3.85m tonnes of wheat it has offered to Moscow.

The US Department of Agriculture has offered an export "bonus" worth $13 a tonne to bring prices down to what officials say is the going market level. But the Soviets have yet to commit themselves and Washington lobbyists and some influential Congressmen are now arguing that a substantially higher sum might be necessary to attract buying.

This is likely to provoke more controversy among other wheat exporters such as Australia, Canada and Argentina, which are already complaining bitterly about the financial damage they will incur as a result of what they describe as unfair trading practices by the US.

Few details were provided yesterday of the proposed EEC sales which will be made on a tender basis, probably over the next three to four months. But it is widely expected that the Soviets will be interested. Algeria and East European countries are among other potential customers.

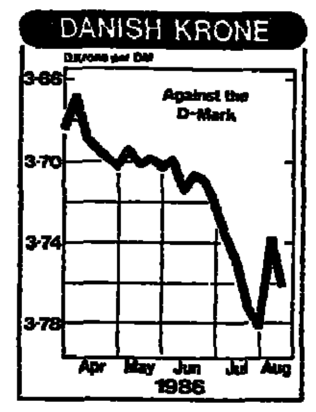
The Community is already on record as saying that it will match US subsidies on world markets where necessary. Its grain surplus – stocks purchased automatically under the official price intervention scheme – is near a record high at almost 16.5m tonnes.

While this is not as expensive to maintain as the dairy sector, the storage and disposal of cereals is a heavy burden on the hard-pressed EEC budget.

Ironically, the latest move to offload stocks coincides with forecasts of a sharp reduction in the EEC cereals harvest, principally as a result of dry weather in Spain and France. The European Commission has revised its estimate for the total crop down to 145m tonnes; at least 15m tonnes below the 1985 figure.

This has caused grain prices within Europe, which is insulated from the world market by levies, to rise – in marked contrast to what is happening outside the Community.

One intention of the EEC's move yesterday, officials said, was to prepare the way for big export sales without causing European prices to firm further.



DKr falls on trade gap fears

By George Graham in London and Hilary Barnes in Copenhagen

THE DANISH krone fell sharply yesterday as concern mounted over the country's balance of payments deficit. The krone displaced the Belgian franc as the weakest currency within the exchange rate mechanism of the European Monetary System as it fell to an exchange rate of DKr 3.76 to the D-Mark, close to its lowest permitted level.

The non-Socialist minority government is expected today to weaken its longstanding commitment to eliminating the persistent balance of payments deficit, which in the first half of the year rose to a record DKr 18bn ($2.3bn).

When the draft 1987 budget is presented today, the government is expected to promise to eliminate the deficit "within the next few years." When Mr Poul Schlüter's administration took over in 1982, it aimed to restore the current account to balance "within three or four years." This was later adjusted to "by 1988."

The government is expected to concede that the current account deficit this year will be of the same magnitude as last year's record DKr 28.4bn – equivalent to 4.6 per cent of gross domestic product.

The Danish currency has for some time been one of the weaker members of the EMS mechanism, and many analysts were surprised that Denmark did not take the opportunity to devalue at the time of the major EMS realignment called for by France in April.

The krone was, in fact, revalued by 1 per cent then, although the 3 per cent revaluation of the D-Mark led to an effective reduction in its permitted exchange rate band against the major EMS currency.

If the Danish currency's D-Mark exchange rate falls to DKr 3.78, the Danish central bank is obliged to defend it either by buying it in foreign exchange markets or by raising interest rates.

Currency analysts argue that a devaluation is unlikely in the short

Continued on Page 12

Australian current deficit worsens, Page 12; Currencies, Page 25

Guinness sells BP shares in block trade

BY LIONEL BARBER IN LONDON

GUINNESS, the UK brewing and leisure group, yesterday announced the first big "block trade" of shares seen in London, by selling its entire 18.8m shareholding in British Petroleum for £108.3m ($161.3m).

The deal was arranged by UK brokers Hoare Govett and the US investment bank Salomon Brothers.

Hoare Govett and Salomon bought the stake for a net 575p per share and then distributed the block at 576¾p in the UK and worldwide within 90 minutes. The deal, involving an element of risk as both Hoare and Salomon took the shares on their books as principals, gives a foretaste of the deals expected to feature regularly after the Big Bang deregulation of share trading in London on October 27.

Despite the success of the placing, Guinness has yet to satisfy the London Stock Exchange over the content of its shareholders' circular explaining controversial board changes involving the appointment of Mr Ernest Saunders as group chairman and chief executive. Hard bargaining is continuing and the circular is likely to be delayed until next week.

The stock exchange, backed by the Bank of England and the Department of Trade, wants a public expression of regret and a full account of why Guinness scrapped the pledged appointment of Sir Thomas Risk, Governor of the Bank of Scotland, as non-executive chairman, following the successful £2.5bn takeover of Distillers.

The BP stake was inherited in the takeover of Distillers last spring, and Guinness had made it clear that it intended to sell the shares.

Mr Simon Duffy, Guinness finance director, said he had been inundated with inquiries about the disposal which had depressed the BP shares price. This was exacerbated by the fall in the oil price.

But following the Opec agreement on output last week, oil prices recovered and BP shares rose. "Salomon bid a firm price for the shares this week and we went ahead," Mr Duffy said.

Rumours of the big placing sent BP shares falling 5p yesterday morning, but Salomon and Hoare stuck to the original terms of a 3 per cent discount on Wednesday's closing price of 590p. "It was a gutsy performance," Mr Duffy said.

Hoare Govett took 80 per cent of the BP stake and placed the shares with about 125 UK institutions. The issue was five times oversubscribed.

Salmon distributed its own share block worldwide, with the Far East and Australia featuring prominently. Only a small proportion went to the US, according to Mr Stephen Brisby, vice president responsible for UK corporate finance at Salomon in London.

The Guinness stake represents around 1.03 per cent of BP's ordinary shares. The shares stood at 535p when Guinness took over Distillers and closed last night up 8p at 598p.

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Share market report, Page 32

Bhutto is held after riots in Pakistan

BY MOHAMAD AFTAB IN ISLAMABAD

PAKISTAN'S security forces arrested Miss Benazir Bhutto, the country's most prominent opposition leader yesterday, shot dead four of her supporters and wounded several more as anti-government riots erupted in the cities of Lahore and Karachi.

Other top opposition leaders and their supporters across the country were also arrested, adding to the hundreds of political activists detained earlier this week.

Police used baton charges, tear gas and bullets to quell the worst political unrest since eight years of martial law ended and a civilian government was installed last December.

In Lahore about 1,000 protesters stoned riot police, overturned cars and set them ablaze in running battles with police which lasted two hours.

Miss Bhutto, leader of the Pakistan People's Party and daughter of the former Prime Minister Zulfikar Ali Bhutto, had earlier defied a government ban on political rallies and demonstrations by leading her supporters in a major show of strength on Independence Day.

She was served with a 30-day detention order as she addressed a crowded press conference in Karachi. Before being led away to the city's central jail, Miss Bhutto said that over 1,000 supporters of the 10-

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CONTENTS

Leslie Colitt describes how the VCR is eroding central control of information in Communist countries

Video films feed East bloc appetites for the West

LECH WALESA is still leading Solidarity, Eastern Europe's first independent trade union, to victory in Gdansk—at least on video recorders playing to appreciative audiences in cramped Polish flats.

The Solidarity film is being distributed by an underground publishing house which has branched out into a booming industry in Poland—video rentals. Church parishes are using their newly-bought video recorders to screen Pope John Paul II's triumphal visit to Poland in 1983 and the emotional funeral of Father Jerzy Popieluszko, who was murdered by Interior Ministry officials in 1984.

The video recorder is rapidly eroding the Communist party's control of information and culture in Poland, a process begun years ago with the Polish language broadcasts of Western radio stations. Well over 100,000 private video recorders in Poland are being fed with unofficial and often illegal domestic videos and with a flood of imported Western cassettes.

Polish workers and intellectuals squeeze into tiny darkened flats to see the latest illegal hard pornographic videos smuggled from the West. Rented by entrepreneurs at Zl 10,000 (£42) for 24 hours, they typically command an admission fee of Zl 500 or a half day's average wage. The Polish Catholic Church, which is upset by such evidence of moral decay, blames both the Communist Party government for its permissiveness and the West for making pornography a business.

Another favourite among Poles, especially younger audiences, is the "Rambo" film in which the evil forces of Communism are dealt lethal blows. Polish psychologists say this speaks volumes about the political radicalisation of young Poles since Solidarity was crushed by martial law in December 1981.

The recorded cassettes are smuggled into Poland in the nooks and crannies of cars, trucks, aircraft and ships. Distributing and showing such videos is subject to a Zl 1m fine. But the authorities, while threatening independent distributors with legal sanctions, are mainly concerned with tracking down the purveyors of Polish-made oppositional films who are given stiff prison sentences.

Apart from the blacklisted videos which are advertised by word of mouth, 40 officially registered private video rental clubs cater to the hunger for recent Western films which the Polish government cannot afford to buy. The clubs are kept well supplied by Poles returning from trips to the West and by foreigners. When the films are screened for content and cleared, and Polish customs has extracted duty, the video clubs advertise their films in the local newspapers at Zl 5,000 (£20) per video for a 24-hour rental.

> Apart from blacklisted videos which are advertised by word of mouth, forty officially registered private video rental clubs cater to the hunger for recent Western films which the Polish Government cannot afford to buy.

In an attempt to compete with the growing private video sector, the Government has set up its own lending library of exclusively Polish films which rent for Zl 2,000 a day. But smash hits shown in Polish cinemas in 1981 such as Andrzej Wajda's Solidarity film "Man of Iron" have been banned, along with the union.

Western video cassette recorders are sold in Poland's chain of Pewex hard currency shops for $439 but many are still brought into the country by Polish tourists returning from the West who pay duty of Zl 20,000. Pewex sold 5,600 video recorders last year, and 15,000 in the first six months of this year.

It, too, would like to sell popular Western films to its video customers. Unlike the Soviet Union, which has made its domestically produced video cassette recorders incompatible with Western cassettes, the Polish authorities are in fact fostering the importation of Western video equipment.

Hungary, which is Eastern Europe's second largest market for video recorders and films, takes a decidedly low key official approach to the video craze. The Government in Budapest has learned by experience that proclaiming bans is not the way to deal with social phenomena.

Dr Eva Erdesz, of the Hungarian Ministry of Culture, admitted in a recent interview that Hungary was being "bombarded" with video problems. New legislation is being discussed which would allow Hungarians to continue making their own private video films but would require permission for public distribution. This would include charging admission or using advertising.

The biggest headache, Dr Erdesz said, was the illegally imported hard-core pornography and X-rated video as well as films with a political content. One of the latter, extremely popular in Hungary as well as Poland, is the "Deerhunter," an American film about the Vietnam war.

Pornography in Hungary, Dr Erdesz noted, was a "cottage industry" which did not grow because the country was so well supplied from abroad. Although the Customs had a list of illegal films, it was easy to smuggle in black-listed videos.

She summed up the Government's policy on videos as being essentially "puritan" and aiming to "defend official values" as far as possible. If video took on an overwhelmingly political character, she noted, then new legislation would be needed, including penalties. But this, Dr Erdesz claimed, was not yet a problem.

An article in the Hungarian Communist newspaper Nepszabadsag was less sanguine, however. It said that private individuals had flooded the market with dubious videos and created a "black culture" of Western war films and endless variations on karate wars and star wars.

In today's Hungarian home cinemas, the article said, films were shown where the "heroes" always killed the Communists. Horror movies and pornographic films displaying "uncivilised, vulgar and inhuman attitudes" were widely available. The solution, it suggested, was to curtail the black market and to open more "videotheques" carrying high-quality international Hungarian films.

East Germany believes it has solved the video recorder problem, at least temporarily, by strictly prohibiting the import of Western video cassettes while selling video recorders in its hard-currency shops. This allows East German owners of video equipment to record Western films and any other programme of interest from West German TV which has been avidly watched in East Germany for decades.

Chernobyl disaster report delivered to IAEA by Soviets

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

THE SOVIET Union yesterday delivered to the International Atomic Energy Agency (IAEA) in Vienna its report on the nuclear reactor disaster at Chernobyl - but only in Russian, and not also in English as promised.

The Russians are trying to minimise publicity for its contents until the start of the week-long "post mortem" on the accident in Vienna on August 25-29. One copy only was sent to each of the nuclear missions in Vienna of the IAEA member-states.

The accident report is to be the working document for the post mortem, to which the Soviet Union agreed while it was still trying to stop the radiation leaking from the stricken 1,000 MW reactor.

Since then, Moscow has tried to change the basis of the international meeting, with suggestions that it should also examine other accidents, such as the meltdown at Three Mile Island in the US in 1978 and at Windscale in Cumbria, north-west England, in 1957.

The IAEA has resisted the idea, however, and has insisted that the investigation should be devoted to the Chernobyl accident from which 31 people have since died.

IAEA member-states have been invited to send a small team to attend the main plenary sessions of the conference and larger supporting teams which can participate in the detailed working sessions in mid-week.

One of the questions this group is most anxious to resolve is precisely how the accident started.

There is strong circumstantial evidence of design weaknesses in the automatic control of the unique Soviet RBMK-type reactor, about which Moscow has previously released few design details. The accident report is expected to remedy previous omissions.

Dr Ivan Emelyanov, one of four senior officials dismissed after the official inquiry, was leader of the design team for this dual-purpose reactor, capable of making military-grade plutonium as well as power.

Academician Vitalii Legasov, a deputy director of the Kurchatov Nuclear Energy Institute, has said design was partly to blame for the accident, in which several events, all considered remote possibilities, had coincided.

Reuter adds from Moscow: Six more senior Soviet energy officials have been thrown out of the Communist Party or severely reprimanded for errors which led to the Chernobyl accident, the party newspaper Pravda said yesterday.

Among them were Mr Alexei Makukhin, a First Deputy Minister for Power and Electrification, and Mr V. Sidorenko, the First Deputy Chairman of the State Committee for Safety in the Atomic Power Industry.

● The Chernobyl disaster cost Norway about NKr 250m ($33m) in lost tourism, tourism officials in Oslo said yesterday.

The Norwegian Tourism Association said that bookings in Norway from Japan and the US had fallen immediately after the Soviet nuclear plant accident.

Bookings had fallen off between 20 per cent and 50 per cent to Norway, an official added.

Norwegian hoteliers plan to claim compensation from the Oslo Government for lost revenue.

Spain may not meet 3% growth target, warns central bank

BY DAVID WHITE IN MADRID

SPAIN MAY fall short of its 3 per cent growth target this year if the major Western economies fail to show more decisive signs of recovery, the Bank of Spain warns in its latest monthly economic bulletin.

This is the second time that the re-elected Socialist Government's target has been called into question. A recent European Commission report predicted 2.7 per cent growth this year and a similar advance next year, when the Government has been aiming to push the rate up to 3.5 per cent.

The Government is pushing to raise the growth rate substantially from last year's 2 per cent in a bid to bring down unemployment, now close to 3m, or 21.5 per cent of the workforce, according to official second-quarter figures. These figures confirmed a recent improvement, with the number of jobs increasing fast enough to absorb the growth of the workforce.

Mr Carlos Solchaga, the that because of the strength of that because ofthe strength of the underground economy, the real unemployment rate is more like 15 per cent.

The central bank report indicates growth of 3 per cent in the first half, compared with the same period last year. But, after last year's strong second half, it warns that the economy may not be able to provide the spurt needed to achieve a 3 per cent rise for the year as a whole.

It predicts a rise of almost 8 per cent in investment in real terms, helped by a recovery in the construction sector. Private consumption has also been rising. Exports of goods and services, however, are expected to show an increase in real terms of barely 2 per cent, compared with a 7 per cent growth in imports.

Spain lost about 3 per cent in competitiveness against its EEC trading partners during the first six months, after gaining ground throughout most of 1985, the bank says. This reflected the stability of the peseta and a widening inflation gap between Spain and the rest of the Community. Allowing for the impact of value-added tax, introduced in January, the Government is aiming to hold inflation this year at the 1985 rate of 8 per cent, and to halve it next year.

However, the Bank of Spain warns that inflation is showing "symptoms of resistance"

Finland lowers call money rate to 35%

By Kevin Done, Nordic Correspondent in Stockholm

THE BANK of Finland yesterday took the first cautious step towards lowering short-term interest rates from the record levels established a week ago when it reduced the call money rate from 40 to 35 per cent. It said the foreign exchange markets had stabilised further, allowing the modest reduction.

In a series of dramatic moves last week, the bank raised the call money rate—the rate at which it lends to the banks—from 10.8 per cent to 25 per cent and then to 40 per cent in a bid to stem a growing tide of speculation against the Finnmark.

The authorities have repeatedly ruled out a devaluation and have chosen to boost interest rates as their main means of restoring confidence in the currency. While the move has checked the outflow, it is still far from clear that the crisis is over.

Since the beginning of the year Finland's net reserves of convertible currencies have been more than halved

Cloak of silence masks divisions at Moscow talks

BY OUR MOSCOW CORRESPONDENT

THE TALKS held by Soviet and US arms control negotiators outside Moscow this wek have remained cloaked in a silence which suggests that both sides are serious about their outcome but still greatly divided on matters of substance.

Almost nothing has emerged beyond word of vague agreement to bring the same top-level arms control terms together again soon—before Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, meet in Washington on September 19-20 for talks supposed to prepare the next summit.

This suggests that 11 hours of talks in Moscow produced enough disagreement to necessitate a second meeting before Mr Shultz and Mr Shevardnadze can have any hope of sketching a reasonable timetable and agenda for the next meeting between President Ronald Reagan and Mr Mikhail Gorbachev.

The unusual absence of substantial leaks about the talks to the US press indicates that Washington is trying to be mindful of Soviet sensibilities about publicity. A secrecy more frequently associated with the Kremlin than the White House yields the added benefit of keeping the Administration's frequent public feuds over arms control more behind closed doors.

A senior Western diplomat in Moscow noted recently that the move by both sides away from playing to the world gallery and toward more traditional, closed-door negotiations is a mark of a new seriousness in their approach to arms control.

The new-found gravity acclaimed by Western observers, however, may not necessarily bring the two sides any closer to the arms control agreement which the Kremlin says it wants before agreeing to another superpower summit.

There was not a word about this week's talks in Soviet media when they took place and in a break with diplomatic protocol, the Kremlin sent nobody to meet the visiting Americans when they arrived on Sunday.

Turkey 'warns' US over pact

BY DAVID BARCHARD IN ANKARA

THE UNEASY relationship between Turkey and its major military ally, the US, grew slightly more tense yesterday after Mr Vahit Halefoglu, Foreign Minister, criticised what officials in Ankara described as "negative developments" in the US Congress.

The message, described as a warning to the US in the Turkish press, said that Mr Halefoglu had cancelled a visit to Washington due on September 10.

Mr Halefoglu is standing as a candidate in by-elections on September 28, but he has not cancelled other top-level diplomatic appointments.

Western diplomats in Ankara say that Turkey is becoming increasingly angry at the failure to reach agreement with the US on a new defence and economic co-operation agreement.

The 1980-85 agreement expired on December 18, but its terms remain in force until a new agreement is reached.

Turkey would like the new agreement to guarantee it more military aid over the five-year period, something that the US Congress is unlikely to agree to.

US aid to Turkey runs at more than $900m a year, making Turkey the third-largest recipient of US aid after Israel and Egypt. But Turkish officials have consistently maintained that aid on this scale is not sufficient to keep the 600,000-man Turkish army at a level necessary to meet its Nato commitments.

The US is believed to be relatively satisfied with the present arrangements and does not believe that its long-term alliance with Turkey is in any danger.

Turkey is expected to notify the US by September 18 that it still insists that the terms of the 1980 treaty must be revised.

Eurotunnel signs main contract

BY ANDREW TAYLOR IN LONDON

EUROTUNNEL, the Anglo-French consortium planning to build a 30-mile rail tunnel under the English Channel, has signed the main construction contract for the project. It hopes the signing will open the way to reaching loan agreements for more than £5bn ($7.45bn) with 38 international banks.

The failure to sign the main construction agreement has delayed the financing of the tunnel and last month caused the consortium to postpone until the autumn a planned £200m international share placing.

The banks have been concerned at the wording of the construction contract which, they felt, was too much in favour of the contractors and did not sufficiently identify financial responsibility should the project run over budget.

The contract has now been revised, and the consortium, after discussion with some of the leading financing banks, felt sufficiently confident to go ahead with the signing at a board meeting in Paris late on Wednesday night.

A series of corporate agreements were also signed, officially establishing the company which will start life with £41m in equity subscribed by the founding shareholders and another £9m promised in loans.

Details of the contract will be sent to all the funding banks with a request that they reconfirm their financial commitment to the project by the middle of next month.

The £200m share placing would then be expected to go ahead in October.

Nordic nations to seek UN sanctions

By Our Foreign Staff

FOREIGN MINISTERS of the five Nordic countries will work for the introduction by the UN this autumn of effective trade sanctions against South Africa in an effort to bring about an end to apartheid.

This was decided yesterday by the ministers from Denmark, Finland, Iceland, Norway and Sweden at their routine half yearly meeting in Copenhagen which was dominated by the South African issue.

They pledged themselves to work actively at the UN to obtain agreement on a contingency plan for economic assistance to South Africa's neighbour states in the event of reprisals against these countries by Pretoria. They also promised to increase their humanitarian aid to Front Line states.

This decision means Sweden and Finland will not follow the example of Denmark which imposed a ban on trade with South Africa in June. The main consequence for Denmark has been that it must find an alternative supplier for the 3m tonnes of coal imported from South Africa last year. Danish electricity consumers have been warned that they will have to pay more when power stations obtain fuel elsewhere.

Mrs Gro Harlem Brundtland, the Labour Prime Minister, announced in July that Norway would impose a total boycott on trade with Pretoria when the Parliament reassembles in October. Official figures show that trade in the first six months of 1986 has already declined in anticipation by 40 per cent compared to the same period last year.

However, the communique issued after yesterday's foreign ministers' meeting said the working group will consider further Nordic measures, including a joint trade boycott.

This appears to leave open the possibility that if the UN Security Council fails to act, Sweden may impose a trade boycott, although this was not spelled out in so many words by Sweden's Foreign Minister, Mr Sten Andersson, yesterday. "We must be prepared to act if there is no positive decision in the security council," he said at a news conference.

Mr Inavar Carlsson, who heads Sweden's Social Democratic Government, has been accused by opposition leaders of dragging his feet over sanctions and betraying the anti-apartheid principles of his assassinated predecessor, Mr Olof Palme.

If sanctions were imposed, Sweden would stand to lose more than any of its Nordic neighbours because of its extensive trading links with the Republic, particularly in exports of machinery for the vast South African mining industry. Swedish exports to South Africa last year totalled SKr 980m (£326m) and imports SKr 412m.

Sweden and the other Nordic countries have already stopped all sporting and cultural contacts with South Africa and broken off air agreements with the Republic. Sweden has also stopped imports of agricultural products, claiming there was a loop-hole in the Gatt rules which made this legal. The Nordic countries also give humanitarian aid to the African Natinal Congress and Swapo in Namibia.

In Finland, trade with South Africa has fallen steeply because of a ban on handling goods by the Transport Workers union which has hit paper exports. Co-operative retail stores have also imposed a voluntary boycott of South African fruit.

Iceland's trade with South Africa is negligible and officials there have said the country will fall in line with whatever other Nordic governments decide.

Aquino's distrust of deputy highlights cracks in coalition

Samuel Senoren reports on moves in Manila which may put the Government at risk

PRESIDENT Corazon Aquino's refusal to allow her Vice President Mr Salvador Laurel to run the Philippine Government when she goes on state visits to Indonesia and Singapore on August 24-27 and to the US in mid-September is widely seen as an attempt to prevent Mr Laurel, who has shown dissatisfaction with her choice of key officials in the Cabinet and at sub-Cabinet levels, from tampering with the Aquino hierarchy.

Mr Laurel and his party, Unido, have been sharply critical of actions by three of Mrs Aquino's advisers, Mr Aquilino Pimentel, the Minister of Local Government, Mr Augusto Sanchez, the Minister of Labour, and Mr Joker Arroyo, the Executive Secretary.

If Mr Laurel were to have his way, he would fire all three at the first opportunity.

Mrs Aquino's distrust of Mr Laurel, who has presidential ambitions, could lead to the break-up of the coalition with Mrs Aquino's party, the PDP-Laban, which he calls a "live-in" arrangement.

Behind Mrs Aquino's decision to ignore Mr Laurel is believed to be the radical group in the cabinet led by Mr Arroyo.

Mr Arroyo, who fought the Marcos regime and was counsel to jailed political prisoners, including Mr Jose Maria Sison, former chairman of the Communist Party of the Philippines, is known as the "little president," holding the rank equivalent to Chief of Staff in the US White House.

Mr Arroyo, who was also one of the counsels of Mrs Aquino's assassinated husband when he was jailed by Marcos, makes no secret of his contempt for remnants of the Marcos régime in the Aquino Government, including Mr Juan Ponce Enrile, the Defence Minister.

During Mrs Aquino's planned visits abroad, Mr Arroyo has been designated to take charge of "routine affairs" while she keeps the functions of the presidency as if she had not left Manila at all.

To save himself from embarrassment, Mr Laurel has proposed a compromise—that Mrs Aquino name the National Security Council which she formed a few weeks ago as caretaker of the government during her absence. The council is composed of five members with the President as chairman, Mr Arroyo, Mr Laurel, Mr Enrile and Gen. Fidel Ramos, the Armed Forces chief, as members.

Mrs Aquino has not announced her response to Mr Laurel's proposal. But yesterday Mr Arroyo blocked Mr Laurel's proposal, saying the Council could not take on the job since it was not yet in place.

These moves highlight serious differences within Mrs Aquino's Cabinet and give the impression that her government lacks coherence, impeding her ability to govern effectively.

It also gives credence to perceptions that her government is unstable, given the absence of a permanent constitution and a duly elected legislature.

Tamil leaders arrive for Colombo autonomy talks

BY MERVYN DE SILVA IN COLOMBO

THE leaders of the separatist Tamil United Liberation Front (Tulf) arrived in Colombo from Madras yesterday, a day ahead of schedule, for what the Cabinet spokesman, Dr Ananda Tissa de Alwis described as "the final round of negotiations" on President Junius Jayewardene's offer of provincial autonomy as a solution to Sri Lanka's harrowing ethnic conflict.

The near civil war claimed 157 lives in July, 30 more than in June.

Confirming the fact that the weekend talks would be the last round, President Jayewardene said yesterday "I am keen to present the Provincial Councils Bill to parliament as soon as the Supreme Court rules whether it requires a referendum or not." The Government's legal advisers are certain that the bill would only require a two-thirds majority which the ruling United National Party (UNP) will have no difficulty in getting.

Asked whether he would proceed with the bill even if the Tulf does not accept his offer, Mr Jayewardene said in an interview "In the past weeks I have consulted the party at every level and the national executive gave the Cabinet and me an unqualified mandate on Monday. We shall go ahead."

President Jayewardene also commented on a statement made by the Tulf leader, Mr Appapilai Amirthalingam, in Madras a few days ago in the statement, which was quoted by Colombo dailies yesterday. The Tamil leader said his party would not compromise on the idea of a Tamil homeland, which would include the north and the Tamil-populated parts of the east.

"But the Indian Government does not accept the idea of a merger and I oppose it totally," he replied.

Mr Jayewardene said he hopes to present the Provincial Councils Bill before the end of September.

● President Jayewardene appointed a three-member commission to investigate the activities ofthe state airline Air Lanka, a Government statement said. Reuter reports from Colombo.

Mr Ronnie De Mel, Finance and Planning Minister, said: Air Lanka's financial affairs have not been satisfactory and the country's debt burden had been increasing because the Treasury had to repay all the loans of the airline.

Iran moves oil storage away from Kharg Island

BY RICHARD JOHNS

IRAN IS shifting its oil export transhipment operations to its new floating storage terminal close to the Straits of Hormuz from Sirri Island, the target of Iraq's devastating raid on Tuesday.

The Iranian authorities are understood to have informed customers that loading at the Valfajr 2 terminal off Larak Island can begin today.

Four of the five storage vessels formerly based at Sirri Island, to which oil was shuttled from the main oil export terminal at Kharg Island, were yesterday moving to the new facility about 125 miles to the north-east.

A fifth, the 392,985 dwt Cyprus-registered Klelia, was set on fire by the raid.

Valfajr 2 was declared ready for use at the end of July, but operations were soon suspended because of rough weather (at the end of the monsoon which touches this area, but is now over) and, it seems, other technical difficulties.

Lloyd's underwriters have raised the standard rate war risk hull premiums for seven-day voyages to Sirri Island from 0.25 per cent to 0.5 per cent following the first aerial attack on the facility. Discussions on terms for other Gulf destinations—recently 0.25 per cent for a 14-day voyage—took place yesterday.

No decision was taken on them. But underwriters said that they were determined to eliminate discount arrangements negotiated by groups of shipowners of the kind normally conceded only to favoured clients with single large fleets.

Survivors from the 233,788 deadweight tonnes Iranian-owned Azarpad said yesterday in Sharjah that 16 crewmen were killed in the raid, including two Britons. Most died of suffocation when fire and smoke trapped them below decks after a hold of crude oil exploded.

The Azardpad was struck by two missiles, one of which penetrated a storage tank in the bows, causing an enormous explosion. The death toll was the highest in any single attack on a vessel in the course of war on tanker traffic in the Gulf since early 1984. The vessel, in danger of capsizing, was beached.

Two of the crewmen on the Klelia are missing and believed to be dead. One seaman on the 75,690 Liberian registered Venture, which sustained minor damage, was injured.

On Wednesday night Hojatolislam Ali Akbar Hashemi Rafsanjani, spokesman for Iran's Supreme Defence Council and Speaker of the Majlis, accused unnamed countries of giving logistical support to the Iraqi Air Force—which is believed to have refuelled French-supplied Mirage F-1s in the raid.

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Beirut bomb kills 20 and injures 100

BY NORA BOUSTANY IN BEIRUT

A MASSIVE car bomb rigged with an estimated 100 kg (220 lb) of explosive ripped through a narrow street in a Christian suburb of Beirut yesterday, killing at least 20 people and wounding 100 others.

It was the eighth booby-trapped car to hit Christian areas since the beginning of the year and capped mounting tension among rival Christian militiamen in the wake of bloody weekend battles. The bombing rocked the Dora district at the midmorning rush hour, trapping residents in debris, smoke and blazing flats. It coincided with the reappearance of gunmen in residential neighbourhoods of the Christian Ashrafiyeh sector and a crucial meeting of the Phalange Party Politburo.

Mr George Saadeh, chairman of the Phalange Party, which is the predominant Christian political organisation, suspended the meeting for two hours pending a stabilisation of security conditions on the ground.

The car bomb was perilously close to a petrol station and 100 yards away from the St Joseph Hospital where Mr Fuad Abu Nader, the former Christian militia commander and nephew of Lebanese President Amin Gemayel, was recovering from a failed assassination attempt.

No one claimed responsibility for the attack, which underlined the dangers of an internal power struggle for the leadership of the Unified Christian Militia, the Lebanese forces.

The Phalange Party Politburo, which has been trying to manage the crisis since Sunday, declared yesterday that it had asked the 12-man executive committee of the Lebanese forces to take immediate and necessary measures to enforce law and order.

The statement suggested that Mr Samir Geagea, the hardline commander of the Lebanese forces, whose authority was seriously challenged in the recent clashes, still enjoyed the political backing of the Phalange Party to steer the fragmented Christian community out of this critical juncture.

A group of disaffected local militia commanders, rankled by Mr Geagea's drive to transform the Lebanese forces into a regimented military organisation and to cleanse its ranks of war barons profiting at the expense of the population, led a rebellion against him on Sunday.

Mr Abu Nader, who was toppled as the Christian militia commander in March last year, reportedly joined forces with Mr Geagea's opponents to reassert his political role and influence.

Red Cross launches food airlift to Sudan

By Mary Anne Fitzgerald in Nairobi

THE Red Cross launched an emergency food airlift yesterday to the southern Sudan to help tackle mass starvation resulting from civil war in the area.

A C-130 Hercules transport plane left Entebbe, Uganda, with 300 tons of grain for the beseiged southwestern Sudanese provincial capital of Wau with the first of four consignments to the 170,000 people trapped by rebels who are fighting government troops. An additional 1,000 tons of grain is to be moved from stockpiles in the central Sudanese town of El-Obeid.

Diplomats in Khartoum said the airlift would go only a small way to avert a wide-scale famine that may place up to 2m people at risk. Agricultural output in the area has been severely disrupted by escalating warfare, and aid agencies that would normally distribute emergency relief supplies have withdrawn from the war-torn area

The predominantly Christian Sudanese People's Liberation Army, about 25,000 strong, has been waging a three-year insurgency against the Arab-dominated Khartoum Government under the leadership of southerner Col John Garang.

Col Garang says he is seeking the repeal of Islamic Sharia law, a greater share in the government for the non-Moslem southerners and fresh national elections.

Col Garang and Sudanese Prime Minister, Mr Sadiq el Mahdi met for the first time last month in the Ethiopian capital of Addis Ababa, where Col Garang is based. The inconclusive outcome of the discussions indicated the two parties are a long way from settling their differences.

Singapore withdraws 14 charges against Malay businessman

BY WONG SULONG IN KUALA LUMPUR

SINGAPORE authorities yesterday indicated they would withdraw 14 criminal charges against Tan Koon Swan, the Malaysian businessman and politician who has pleaded guilty to a minor charge of abetment of criminal breach of trust in connection with the collapse of Pan-Electric Industries.

The amended charge carries a maximum sentence of three years jail and a fine of up to S$50,000 (£157,230), compared with the earlier charges of abetment relating to criminal breach of trust, stock market manipulation and cheating which carry a life sentence.

The 45-year-old Tan, who is President of the Malaysian Chinese Association, the Chinese partner in the Malaysian coalition government, is expected to be made a Malaysian cabinet minister in charge of housing and local government once his legal problems in Singapore are resolved.

When the Singapore District Court sat yesterday, the prosecution said it was standing down on the earlier charges and instead was charging Tan on an amended charge of abetting Tan Kok Liang, director of Pan-Electric in committing criminal breach of trust involving S$144,000 in September last year.

Tan told the district court he intended to plead guilty to the amended charge when the case comes to the High Court on August 25. Bail has been reduced from S$40m to S$1m.

The trial has been postponed three times in recent months to allow Tan to finalise "certain financial arrangements" related to the Pan-Electric problems.

Details of the financial deal have not been disclosed, but they are believed to involve Tan injecting a substantial sum of cash into Pan-Electric, which is under provisional liquidation, as well as a settlement between him and five Singapore brokers on the S$140m in forward share contracts which he had taken over from Pan-Electric.

The forward contracts were in shares of Grand United Holdings and Supreme Corporation, two of Tan's companies, whose suspension would be lifted as part of the deal.

The collapse of Pan-Electric last December led to a temporary suspension of both the Singapore and Malaysian stock markets and the subsequent collapse of share prices.

NUM wage dispute under conciliation

SOUTH AFRICA's Manpower Minister has appointed a conciliation board in an effort to settle a six-week-old wage dispute between the Chamber of Mines and the 230,000-strong black National Union of Mineworkers (NUM). The board has 30 days in which to call a meeting of the two sides in the dispute and only if it fails to bring them together can the NUM call a strike ballot of its members.

Wage discussions broke down early in July after the Chamber had implemented interim wage increases ranging from 15 per cent to 20 per cent. The NUM had reduced its wage demand to 30 per cent across-the-board from 40 per cent demanded at the start of this year's wage negotiating round.

Labour experts in Johannesburg are not optimistic that the board will be able to bring about a settlement. On Tuesday other board wage talks were held between the NUM and East Rand Gold and Uranium (Ergo), with the NUM sticking to its demand for a 30 per cent wage increase and Ergo only prepared to offer increases ranging from 16 per cent to 19 per cent.

UK unions urge pensions disinvestment

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE British Trades Union Congress (TUC) is advising trade union trustees on pension funds to press for emergency fund board meetings to discuss withdrawing investments in South Africa.

In a report published yesterday, the TUC says the risks of maintaining investments in South Africa in the current political and economic climate are such that trustees could be ignoring their long-term fiduciary duties if they fail to urge the return of assets.

The report, South Africa — A Bad risk for Investment, is to be circulated to what the TUC calls "key investment decision-makers." It is intended to provide trade unionist pension fund trustees, in particular, with evidence to support the case for disinvestment.

Mr Henry James, director of the National Association of Pension Funds, said yesterday: "This is a very important document. Any responsible trustee would have the South African issue on their agenda."

The report admits that investors pulling out of South Africa could suffer by having to convert out of rands at the financial, rather than the commercial rand rate. However, it argues that this is justifiable when set against the danger of losing assets altogether in a possible collapse of the apartheid economy.

It says: "Whatever the short-term costs of withdrawal, the eventual price of delay will inevitably be higher. Action now is the most prudent financial course."

Further, the TUC contends that losses incurred through withdrawing assets at the discounted financial rand rate would be insignificant compared with loss of trade with black African countries, should they exact reprisals against companies retaining investments in South Africa.

Beyond the disinvestment issue, the report says the most effective sanction against South Africa would be termination of loans. With UK banks owed about $5.3bn, it argues, a demand for an extra $2bn capital repayments would require a cut in imports to South Africa of more than 20 per cent, making a sharp impact on its economy.

The TUC says that global opinion will eventually force the UK to fall in line on sanctions and that delay now will only increase the costs later.

South Africa—A Bad Risk for Investment; TUC, Congress House, Great Russell Street, London WC1B 3LS.

Two die as S. African violence escalates

THE South African Government yesterday reported a sharp escalation in political violence, apparently centred on schools in the sprawling black township of Soweto outside Johannesburg, Reuter reports from Johannesburg.

The Bureau for Information, sole source of official information on unrest since a state of emergency was imposed two months ago, also reported two deaths in the tense black homeland of Kwandebele, north of Pretoria.

The bureau, which until this week said violence was on the decline, reported "a sharp increase in unrest-related incidents" on Wednesday.

... It said more than half the incidents had been in Soweto where 11 vehicles and two private homes had been set ablaze.

Eyewitnesses said pupils protesting against the presence of security forces burned newly-issued identity cards and attacked vehicles and homes there yesterday.

In Kwandebele, nine blacks burnt to death a 65-year-old woman with burning tyres. Security forces fired on the crowd, killing one of the attackers, the bureau said.

● The African National Congress (ANC) guerrilla organisation yesterday rejected a South African Government offer to organise elections among the black majority to find leaders willing to negotiate with the Pretoria authorities.

N. Zealand joins war games

New Zealand frigates will exercise with Britain's Royal Navy in the South China Sea next week despite London's displeasure with Wellington's anti-nuclear policy, defence officials said. Reuter reports from Wellington.

The naval war games will take place under the Five Power Defence Arrangement linking Britain, Australia, New Zealand, Singapore and Malaysia.

Officials said the 10-day exercise would centre on a British task force and involve two New Zealand frigates and an air force P-3 Orion sub-hunter aircraft

Codenamed Starfish, it will be the biggest international military event involving New Zealand since February 1985 when the US cut defence ties in retaliation for Wellington's ban on visits by nuclear warships.

Thai military retains powerful role in politics

Prem: accused of indecision

Peter Ungphakorn reports from Bangkok on the policy goals of the new Government

THAILAND'S new coalition Cabinet, announced on Monday after 15 days of haggling, shows just how much power still rests with the military and to a lesser extent, the civilian establishment and just how little is in the hands of the voters.

Despite some rash election promises to the contrary, the leading parties, none of which won an absolute majority in the July 27 general election, soon realised they would once more have to back the reappointment of (retired) Gen Prem Tinsulanonda as a non-elected Prime Minister.

While they bargained, Gen Chavalit Yongchaiyudh, the shrewd new army Commander-in-Chief, played an active but discreet part, liaising from Bangkok with the Prime Minister who passed the time quietly in a garrison town 200km away.

In the process, the parties had to allow three of the most important ministerial posts to go to Gen Prem's own non-elected appointees: defence, because of the forthcoming annual military reshuffle which is now bound to favour the Prem-Chavalit factions in the army; interior, which controls the police, Thailand's provincial governorship system, and elections; and finance, which is the key to economic strategy.

As a result, the main drift of Thailand's domestic and foreign policy is unlikely to alter much. The same is true of the country's largely private enterprise economic development and its increasing orientation away from agriculture and towards industrial exports.

None of this was unexpected, just as Gen Prem's reappointment almost a week earlier, seemed a foregone conclusion. But it has not been as straightforward as its predictability might suggest, even though some of the more politically concerned among the country's 26m voters are complaining about U-turns that were made within days of the election.

Outside Bangkok, election issues were largely local, and huge sums of money were paid —some of it for direct vote-buying. But one issue that prevailed was Gen Prem's reappointment.

In the week following the election students protested against it, the opening of Parliament on August 4 turned into a shambles because some MPs resented it, and the reappointment itself was delayed by 24 hours as rifts appeared within prospective coalition parties whose dissidents opposed it.

Opposition has been on a number of grounds. At one level is the argument that the Prime Minister should be an elected MP. That is what the students were demonstrating about.

The present constitution allows a non-elected prime minister to be appointed because it was drafted in the late 1970s following a military coup. The official justification was that Thailand's democratic tradition was still young and it was necessary to limit the power of the ballot.

Although many of the less democratic temporary provisions have now expired, this permanent one remains. The parties find it easier to form coalition with a prime minister who is not overtly partisan towards any one of them. But it is also convenient for non-parliamentary interests such as the military and the palace to have a prime minister they can trust.

But Gen Prem is also blamed for the country's economic problems during the six years he has held office. His previous Finance Minister is blamed for a credit squeeze and devaluation in 1984 and for restrictive fiscal policy, although many economists, bankers and businessmen regard the caution as a virtue that has drawn Thailand back from a possible debt crisis.

At the end of last year Thailand's outstanding foreign debt, excluding short-term private-sector borrowing, stood at about $12.5bn, or about 21.5 per cent of foreign exchange earnings. It is likely to continue to increase this year and next, although economists now expect it to be within safe limits.

Gen Prem's supporters praise him for having maintained the stability of the parliamentary system. His detractors say he is indecisive on policy issues, and that his benign image belies a ruthlessness in removing possible rivals.

Some of his aides say he is making a new effort to improve the organisation of the powerful PM's Office (which has six full ministers and five deputy prime ministers out of a Cabinet of 44). This could mean a more active political role for the new army Commander-in-Chief as well, who has said he will retire early in two or three years' time, leading to speculation that he is preparing to succeed Gen Prem.

The likelihood is that Gen Prem's personal initiatives will remain limited to such matters as the selection of his ministerial technocrats and military promotions. Both Gen Prem and Gen Chavalit still have rivals in senior command positions, and the new army promotions list, due out in the next few days, should show whether any compromises are offered to rival factions.

Tension has persisted in the army and coup rumours circulate regularly, but although a number of coups have been attempted, none has succeeded in almost a decade. Military rivalries are increasingly reflected in rifts within the parties, which could destabilise the coalition.

Meanwhile, the new government will be getting on with the more pressing matters of the economy. Gen Prem's style has been to keep a close watch but to leave decision-making to his ministers. But in the new Cabinet, as in the previous one, the way the portfolios have been distributed between the technocrats and between the coalition parties does not augur well for consistent and co-ordinated policies.

The sector facing the greatest difficulties is agriculture, which is suffering from persistent low world prices for the country's principal crops: rice, sugar, maize, and to a certain extent tapioca and rubber. The Thai government and all parties pay lip service to the need to improve the lot of the 30m farmers and their families, but not enough has been done, particularly to bring in modern agrarian technology, or to implement a satisfactory land reform policy.

A good infrastructure and some private sector initiatives have helped, but progress has lacked balance, and some export policies have actually disrupted trade. With the different ministries concerned in the hands of different parties, a properly co-ordinated rural development policy will be difficult to implement.

Agriculture remains by far the country's largest employer, with Thailand leading the world in rice and tapioca exports. But it is being overtaken by industry and tourism as a foreign exchange earner and generator of incomes. The growth of industrial exports is one reason for optimism that the trade deficit could be almost wiped out by the end of the year. The other reason is the much-reduced oil import bill. Lower interest and other costs could lead to a recovery in investment in the last quarter, which could improve the government's severe revenue shortfall.

In the first half of this year the trade deficit fell to 6.7bn baht compared with 36.4bn baht in the same period of last year, and the current account went into surplus by almost 4bn baht (£133m).

He has promised to reform business tax to aid the private sector, but will need to find ways of raising revenue more effectively as well.

Pressure is now easing on the country's foreign debt burden and Thailand already has a good credit rating. But, according to analyses such as a recent World Bank report competition between large projects for funds, mainly obtained by borrowing, will require careful decisions to be made and possible postponement in some cases—even if the self-imposed annual ceiling of $1bn in new foreign borrowing is raised.

AMERICAN NEWS

Senate likely to pass sanctions package vote

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE Republican-led US Senate is today expected to brush aside President Ronald Reagan's opposition and approve a package of new US economic sanctions against South Africa.

The stage for the sanctions vote was set late on Wednesday night, when the Senate voted by 53 to 47 in favour of Mr Reagan's $100m (£67m) aid package for Nicaragua's Contra rebels, including $70m in military assistance.

In complex procedural manoeuvres over the past two weeks, the two issues had become linked in a deal under which some Democrats eased their opposition to the Contra aid, in exchange for Republican willingness to bring sanctions to a floor vote before the three-week August recess that is due to begin tonight.

Mr Reagan, as a result, is almost certain to be handed one big foreign policy victory and one severe defeat. Approval of the Contra aid, which has already passed the House of Representatives, is a major achievement for the President after an uphill six months struggle on Capitol Hill.

On South Africa, however, it looks as if Mr Reagan will have to accept that Congress is about to take US policy out of his hands. *The Senate decided by* 89 to 11 to bring sanctions to a floor vote, suggesting that sanctions supporters could easily override a Presidential veto by the required two-thirds majority.

The final shape ofthe sanctions package, however, was still unclear yesterday, as the Senate began two days of debate on more than 50 amendments to the package of measures approved by its foreign relations committee two weeks ago.

The committee's draft bill would ban new US investments in South Africa, bank loans and imports of coal and uranium. It would withdraw US landing rights from South African Airways, and restrict US visas and bank accounts for South African government employees. The Senate yesterday added a ban on South African textile exports.

The bill would provide for stiffer sanctions in one year's *time if significant progress* were not made towards ending apartheid. But it does not go nearly as far as a House bill, which would sever virtually all US commercial links with South Africa, with which it would have to be reconciled in conference negotiations.

Negotiations between the two chambers will also have to be held on the Contra aid bill when *Congress returns in* September—although the differences to be ironed out are comparatively minor and final approval of the aid is now virtually certain.

In addition to the $100m for the Contras, to be disbursed in three instalments over the next six months, the bill also provides $300m in economic assistance to Honduras, El Salvador, *Costa Rica and Guatemala*.

The measure would lift congressional bans on covert US intelligence activities against Nicaragua's Sandinista Government, but the Senate voted against channelling the aid to the Contras through the Central Intelligence Agency (CIA) as the Administration would have liked. The Senate, on the other hand, approved the use of *US military advisers to train* Contra forces in Honduras and Costa Rica.

Washington unveils $266m border drugs crackdown

THE REAGAN Administration yesterday unveiled what it described as an unprecedented new programme aimed at halting the flow of illegal drugs and other contraband smuggled across the US-Mexican border, Reuter reports from Washington.

Administration officials said the two-year $266m (£179m) programme will involve sophisticated surveillance equipment, aircraft and weapons, the creation of a special anti-drug task force of several hundred US law enforcement agents, and US military support.

The programme began on July 1, but announcement of it was held up until after yesterday's meeting between President Reagan and President Miguel de la Madrid, of Mexico, which produced a joint declaration of war on drugs.

Officials said the programme was the first enforcement initiative in Mr Reagan's widely publicised new national crusade against drugs in what has become an emerging political issue.

The programme along the 2,000-mile Mexican border will be aimed at stopping the flow of about one-third of the heroin, cocaine and marijuana that enters the US, and will crack down on illegal drug money laundering operations.

Reagan considers defence bill veto

By Our US Editor

PRESIDENT Ronald Reagan and his Republican allies on Capitol Hill were yesterday considering moves to counter an unprecedented string of mandatory arms control provisions passed by a disgruntled, Democrat-controlled House of Representatives this week.

The White House said that Mr Reagan might veto the entire defence authorisation bill, to which the provisions were attached, if the unwelcome amendments remained in the final version of the bill to be submitted to him in the Autumn.

In the House, the minority Republicans were planning a possible attempt to vote down the bill when it comes to final passage, probably today. Their hope was to assemble enough liberal Democrats, who often vote against defence spending bills for quite different reasons, to block final passage.

If the bill were defeated, the Pentagon would be left without policy guidance for defence spending, although the process of actually appropriating funds would continue. Congressional aides said that the House would probably have to draft a new authorisation bill in the Autumn, and/or waive procedural rules so that appropriations could be made without prior authorisation.

The Republicans were also expected to try to force a second vote on the production of new US chemical weapons, which the House decided to delay for a year by a single vote margin on Wednesday night.

In other blows to Administration policy, the House has extended a moratorium on the testing of anti-satellite weapons for another year and cut more than $2bn from Mr Reagan's Strategic Defence Initiative (Star Wars).

The House also voted to withhold funds for strategic weapons that would take the US above the limits set by the 1979 SALT 2 arms control treaty, *repudiated* by Mr Reagan in May, and to require a one-year ban on all but the smallest of US nuclear weapons tests if the Soviet Union agreed to a similar ban with on-site verification. It cut the overall defence authorisation from $292bn to $286bn, almost $34bn less than Mr Reagan requested.

Announcing the threat of a presidential veto, Mr Larry Speakes, the White House spokesman, said the Administration would take it "very seriously" if Congress tried to limit the executive branch in its conduct of foreign policy.

Doreen Gillespie on moves to cope without foreign financing

Peru prepares to go it alone

The Peruvian government is nursing its reserves as it prepares to do without foreign financing whether or not the country is declared ineligible for further loans at the International Monetary Fund's meeting today.

Peru is unlikely to receive foreign finance, investment or increased export revenue whichever way the IMF decision goes. But officials estimate that careful nursing of reserves — mainly by restricting debt payments — will take them through the next 18 months at least.

Net international reserves of $1.5bn at the beginning of April had fallen to $1.2bn by the middle of July before Peru prepared to make a $35m goodwill payment to the IMF out of arrears of $180m.

Peru's reserves are cushioned by the illegal cocaine trade profits estimated at up to $800m a year.

The flow of cocaine dollars may fall as Peru joins with Colombia in air attacks on clandestine airstrips and laboratories in the Amazon jungle near both countries' borders.

Officials expect the two-year ban on foreign remittances decreed at the end of July to prevent an additional $400m from leaving Peru over the next few years. The ban was extended this week to include repatriation of foreign investment and remittances in intis as well as dollars.

The main companies affected are Asarco's Southern Peru Copper, Peru's main copper producer, and Occidental Petroleum Del Peru which produces half the country's crude oil. However Occidental is committed to reinvest $197m in jungle exploration over the next five years under new contracts signed with Petroperu in March. Occidental has resumed drilling in the northern jungle for the first time in three years. It has also started preliminary exploration in a new central jungle block — neighbouring Royal Dutch Shell which has been exploring in the central southern jungle for the past four years.

Meanwhile the Central Bank is using growing foreign exchange controls to offset lack of foreign credit and low international prices for oil and metals exports. Cash flow from exports fell by 17 per cent in the first half of the year to $1.244bn compared with $1.491bn in the first half of last year. The fall in oil and metals exports which now make up half Peru's $3bn a year exports was offset partly by higher exports of other traditional goods like coffee and cotton.

Peru is also limiting use of products it can sell for hard cash on the international market in its countertrade debt repayment agreements with the Soviet Union. Soviet buyers are no longer offered shipments of fishmeal concentrates, coffee or cocoa although they can still obtain other favourite products such as cotton and textiles.

Peru has agreed to ship $60m worth of products—yet to be defined—to the Soviet Union this year.

The amount includes a $32m goodwill payment on debt falling due this year, plus $10m pending from last year's shipments and $17m for interest on arrears. An earlier agreement to ship $125m worth of products signed in December by former Industry and Commerce Minister Cesar Atala — now Ambassador to Washington — was not ratified by the Government in Lima.

Meanwhile increased imports of food and industrial products to meet growing local demand is narrowing the $1bn trade surplus of the past two years. Officials estimate there will be a surplus of $300m-$400m this year.

The Government is counting on increased local demand, fuelled by higher purchasing power and import restrictions on finished products, to contribute to a 6 per cent growth in the economy this year.

Mr Luis Alva Castro, the Prime Minister, told Congress at the end of July that the gross domestic product had grown 3.9 per cent in the first half of 1986 compared with the first half of last year. Sectors showing the biggest growth are fishing, construction, electricity and industry offset by zero growth in agriculture and a fall in the mining and petroleum industries.

Major state-financed projects are limited to completing hydro-electric plants and transmission lines already in construction and the construction of a mass transport electric train in the city of Lima.

But independent economists are beginning to accept the government's forecast of 6 per cent growth in 1986 largely through improved performance of the manufacturing industry. Economists do not believe Peru will have the foreign exchange to import the raw materials needed to continue to grow at a similar rate next year. But President Alain Garcia, who says the government will ensure wages will outpace inflation (66.7 per cent for the 12 months to end July) plans to restructure industry for greater use of local resources.

Independent analysts say this will mean even greater state controls on the economy while protectionist measures drive Peru into dangerously increasing international isolation.

THE International Monetary Fund's executive board meets today to decide whether to declare Peru ineligible for further credit if it fails, as the country has said it will, to make [illegible] payment arrears to the Fund by today's deadline, Alexander Nicoll reports.

This would mean that Peru ceases to receive disbursements of World Bank and Inter-American Development Bank loans. It would also almost certainly mean that negotiations with the country's leading bank creditors would remain stalled. Peru wants to put new proposals to the banks in September, but the banks' agreement to meet is likely to depend heavily on the IMF's decision.

In April, the IMF accepted a goodwill payment of $34m (£22m) on arrears of $134m on the understanding that arrears would be cleared by today. Peru, however, has said that it will pay only $35m out of arrears of $180m and that it expects to be declared ineligible.

Argentina moves to boost foreign investment

BY TIM COONE IN BUENOS AIRES

A MAJOR boost to foreign investment and export growth is the principal objective of a series of new economic measures about to be launched by the Argentinian Government.

Of particular importance is a plan to capitalise part of Argentina's foreign debt, which, along with proposals to grant a tax amnesty on undeclared property and capital sums held by Argentinian citizens both inside and outside the country, was formally announced by Mr Mario Brodersohn, the Finance Minister, on Wednesday.

The capitalisation scheme, similar to that being proposed for other major debtors such as the Philippines, will enable holders of Argentinian debt, mainly foreign banks, to sell their outstanding loans to potential investors in existing Argentinian industry or in new ventures.

Provided that investors bring at least one extra US dollar of fresh money for every dollar of debt purchased at a discount (currently running at around 30 per cent in the international money markets) they will have the debt certificates immediately *paid off in full in local currency* with which they will then be able to invest in Argentina.

Bankers in Buenos Aires say the scheme will be particularly attractive to smaller foreign banks holding Argentinian debts, which wish to extricate themselves from the danger of further exposure during each renegotiation cycle of interest *payments* on Argentina's foreign debt.

All the creditor banks club together in proportion to their existing exposure to finance each renegotiation package. The capitalisation scheme will therefore create greater opportunities for banks to reduce their exposure in Argentina at the same time as boosting foreign investment.

Within Argentina export orientated industries are to be the main beneficiaries of any new investment under the *scheme*.

To keep the likely inflationary effects in check, the proposals envisage the capitalisation of a package of approximately $40m of debt each month which will be placed on offer. The bidder who offers the highest amount of counterpart funds (i.e. higher than the minimum one-to-one requirement of fresh funds) will be able to participate in the plan. The proposals are expected to be presented for debate in Congress next week.

Meanwhile, Dr Roberto Lavagna, the Foreign Trade Minister, said on Thursday that new export incentives are to be announced next week aimed at boosting industrial exports by $500m over the next year.

A range of industrial raw materials are to have import restrictions lifted under a "temporary admission status" provided that the final goods are re-exported with a value of between one to three times the value of the imported raw materials.

In addition, the annual interest rate payable on lines of credit to foreign purchasers of Argentinian *manufactured* goods is to be reduced from 6.5 per cent to 4.5 per cent. Together with a previously announced export promotion scheme involving finance and support to exporters, Dr Lavagna said that Argentina's industrial exports could be expected to increase by $1bn over the coming year.

US tax reform hurdle cleared

By Nancy Dunne in Washington

THE TWO tax reform leaders of the House and Senate, Congressman Dan Rostenkowski and Sen Bob Packwood, have reached agreement on new corporate taxes, which could clear *the way for final passage of* historic tax legislation.

The two committee chairmen agreed after an all day private meeting yesterday on a plan to raise business taxes by $124-$129bn (£83-£87bn) over the next five years. However, their plan has yet to be accepted by the House-Senate conferees who have been struggling for weeks to resolve differences in the tax reform efforts of both chambers.

If the scheme is rejected by either side—and rejection is much more likely in the Senate than the House—then tax reform efforts will be delayed by the three-week summer recess. Some legislators worry that the delay could give opponents of tax reform time to undermine their efforts.

The conference committee has agreed to try not to exceed the tax rates for individuals established in the Senate bill of 15 per cent and 27 per cent, or its 33 per cent corporate rate.

Rehnquist wins approval from Senate body

By Nancy Dunne in Washington

THE US Senate Judiciary Committee yesterday approved the nomination of Mr William Rehnquist as Chief Justice of the US Supreme Court by a vote of 13-5, ignoring charges that he was insensitive to the rights of minority groups.

Opponents of the nomination —which include civil rights activists, feminists and some key Democrats, have argued that Mr Rehnquist is "too extreme" in his conservatism to lead the Supreme Court. With little chance that the nomination could be defeated, they launched a desperate search *for an issue to kill the nomination*.

Questions have been raised about Mr Rehnquist's addiction several years ago to Placidyl a drug taken to ease a chronic back injury, and it has been suggested that he was less than honest in previous testimony about activities to prevent black Democrats from voting in the '60s.

The committee is also expected to approve the nomination of Mr Antonin Scalia as an Associate Justice in a separate vote.

The nominations are expected to win full Senate approval next month.

WORLD TRADE NEWS

US suffers $8.8bn deficit on electronics

By Louise Kehoe in San Francisco

THE US electronics industry turned in a record trade deficit of $8.8bn (£5.9bn) in 1985 with exports of $35.6bn outpaced by imports of $44.4bn, according to figures released this week by the American Electronics Association.

Last year the US's largest electronics trade surplus was $2.4bn with the UK, while its largest electronics trade deficit was $17.6bn with Japan.

Canada was the largest buyer of US electronics goods and services, while the US purchased more electronics products from Japan than from any other country.

The association said that the US electronics industry exported $4.9bn in goods and services to Canada last year. The next largest buyers were the UK ($3.6bn), Japan (3bn), West Germany (2.7bn) and Mexico ($2.2bn).

Exports to France were $1.7bn, to the Netherlands $1.5bn, to Singapore $1.2bn and to South Korea and Australia $1.1bn.

Japan's $20.7bn of electronics exports to the US was a record, the national trade group said. Other major exports to the US included Taiwan ($3.3bn), Canada $2.6bn, Mexico $2.5bn, South Korea $2.4bn, Singapore $2.3bn, West Germany $1.7bn, Hong Kong $1.6bn, Malaysia $1.4bn and the UK $1bn.

Following the UK on the US trade surplus list were Canada, France, the Netherlands and Australia.

AP-DJ reports from Washington: The Japanese Government will have to negotiate a bilateral agreement with the US to restrict Japan's machine tool exports or "face a decision on import quotas" that the US could impose by late November, Mr Bruce Smart, US Commerce Under-Secretary said yesterday.

He told reporters he would begin negotiations with the Japanese Government in Tokyo next week on a proposed five-year "voluntary" restraint agreement.

Airlines are positioning themselves to take advantage of an expected travel boom, reports **Steven B. Butler**

Korean Air seeks new routes to passenger profits

A "TIME-BOMB" is sitting under the market, says Mr Y. S. Lee, vice-president of Korean Air Lines for passenger marketing and sales.

Personal incomes in South Korea are rising rapidly. The country's trade and current accounts are swinging firmly into the black, reducing government concern about a possible *drain of foreign currency*.

There is huge pent-up demand for overseas travel, and government officials confirm that travel restrictions on South Koreans will be eased in the coming years.

In the meantime, overcapacity is increasing on routes to Seoul as airlines position themselves to take advantage of the expected increase in traffic.

Faced with rising competition, Korean Air Lines (KAL), the national flag carrier, is locked into an unprofitable route structure while a bitter dispute with the US over aviation rights has blocked the way to new destinations that might bring its passenger operation back into the black.

The entry of Swissair into the *market earlier* this year raised capacity to Europe by 25 per cent at a time when load factors were only at 60 per cent.

If British Caledonian begins flying to Seoul next year, which it is currently considering, capacity will be increased by another 25 per cent and all the carriers will be hit—at least until the travel "time bomb" explodes.

A rate-cutting war broke out earlier this year, but when the European carriers discovered that slashing fares did not stimulate demand they held talks with Korean Air and agreed to maintain floor prices. Mr Lee, of KAL, says the agreement has worked so far.

The partial patching of one revenue drain provided some relief for Korean Air, which in 1985 carried more than 6m passengers, making it the tenth largest airline in the world, according to the company.

Korean Air maintains an extensive network of routes to Europe, North America, South-east Asia, the Middle East, and Japan. In the past profits made flying to the Middle East and Japan made up for losses on other destinations.

But the decline of construction *activity in the Middle East* has prompted a steep decline in business, pushing KAL's overall passenger operation into the red.

Company officials say they are looking to the North American market, where they currently fly to New York, Los Angeles and Honolulu, to make up for the loss of profits.

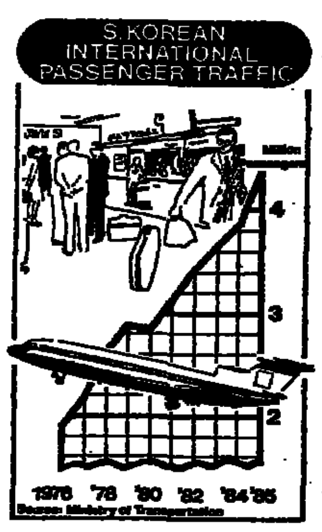
They have pinned their hopes on obtaining landing rights in Oakland and Chicago, as well as rights to fly beyond US cities to other destinations.

But these hopes have become bogged down in a dispute with the US over aviation rights that has boiled over into public bitterness several times in the past year.

In 1978 the US and South Korea concluded and later confirmed in diplomatic notes an agreement that granted KAL landing rights in New York in exchange for the granting to US carriers rights to handle their own cargo at Seoul's Kimpo airport.

The diplomatic notes, exchanged in 1979, further specified that Seoul would undertake to build a cargo facility by March 1981 to facilitate self-handling of all inbound and outbound cargoes by US carriers.

Another set of negotiations in 1980 reaffirmed in a



memorandum of understanding the self-handling principle, while agreeing that KAL would be granted full landing rights at Anchorage, Oakland, and Chicago, and rights to fly on to other countries. The memorandum, however, was never ratified by an exchange of notes.

For reasons that have become clouded with the passage of time the cargo facility was not built, and Korean Air was never granted the landing rights it sought in the US.

US carriers have become increasingly bitter about their treatment in South Korea, and this year they formulated a list of 16 outstanding issues.

Seven years after the 1979 exchange of notes, the US carriers still lack facilities to handle their own cargo, which they say badly affects their ability to service customers in South Korea and reduces business.

They point to a gleaming new cargo facility that KAL built for itself at the Los Angeles airport. Cargo revenues are KAL's fastest growth area, and a major reason why the airline is still profitable.

Meanwhile, a new cargo facility is nearing completion at Seoul airport, yet the US carriers may still be far from achieving their goal of cargo self-handling.

A campaign in the South Korean press would make it politically costly for the country's government to settle for less in aviation talks.

US officials, however, say that the US will not grant further landing rights to KAL until well after the business climate for US carriers in South Korea improves and Seoul implements the pledges in the 1978 memorandum. They say the unratified 1980 memorandum is a dead letter.

They dispute claims that South Korea is put at a disadvantage by the current air agreement, by pointing to US Department of Transportation statistics, which show that KAL has captured about three-quarters of passenger and cargo revenues between the two countries.

The irony is that Northwest Airlines is the only airline flying these routes to make a profit, which KAL executives believe results from that airline's greater number of landing points in the US, and better route connections there.

US officials are evidently hoping that KAL's unprofitable route structure will prompt Seoul to improve operating conditions for US carriers.

But it may take a bruising set of negotiations before the South Koreans back down in what has now become a very public dispute in Korea and in which national pride has become the issue.

Saab wins US order for SF340 aircraft

By Sara Webb in Stockholm

SAAB-SCANIA, the Swedish automotive and aerospace group, has won an order from Business Express in the US for six of its SF340 passenger aircraft. The order is worth about $40m (£26.9m).

Business Express, based in Bridgeport, Connecticut, is a commuter airline which operates feeder flights for Delta Airlines in the north-eastern US.

The company plans to phase out its existing F27 aircraft and replace them with SF340 turboprops. The first SF340 will be delivered in *September and the second in* October this year.

Pasta deal covers 5% of farm trade

By Tim Dickson in Brussels

THE *European Commission* estimated that about 5 per cent of the EEC's agricultural trade with the US is covered by this week's draft agreement on citrus and pasta.

Commitments have been made by both sides to reduce duties and/or increase quotas on a variety of items, including Community cheese, olive oil and anchovies and American *oranges*, lemons, grapefruit and almonds.

The 1985 value of exports of EEC products to the US is put at around Ecu 270m (£189m) compared with total agricultural exports during that period of Ecu 5.45bn.

Last year's sales in Europe of the US products on the list come to *just* over Ecu 305m, against a total for agriculture of Ecu 6.95bn.

The Commission confirmed that it hoped the part of the deal dismantling last November's retaliatory measures on EEC pasta and US walnuts and lemons would be implemented quickly.

Bayer gets its teeth into the dental market

BAYER, *ONE of West Germany's* "big three" chemicals groups, has entered into a joint venture to produce false teeth and other dental products at a new Shanghai-based facility in China, David Brown writes from Frankfurt.

The new venture, called Bayer Shanghai Dental, will have a share capital of about DM 4m (£1.3m), of which Bayer will hold 55 per cent and the Shanghai Dental Materials Factory the remainder. It is to start production of dentures and other dental aids based on Bayer technology.

Ball Corporation lured by China's potential

BY NANCY DUNNE IN WASHINGTON

THE sheer numbers and the *huge potential of China* are what have always been a magnet for foreign business. The market's size overwhelms any uncertainties about future Chinese governments and blots out concern about others caught in the quicksand of the Chinese bureaucracy.

So it was for Ball Corporation of Muncie, Indiana, a company which manufactures packaging, industrial and high technology aerospace products. When it was given a chance to help establish China's first high-speed two-piece metal container plant in Guangzhou, Ball looked at the numbers.

If every man, woman and *child* in China drinks just one can of beer or soft drink a day, it would take 800 can lines to supply the containers. In the US there are only 245. In the world there are only 488. Ball Corporation, with a net income of $51.2m (£34.4m) last year, operates only 15.

Ball proceeded cautiously and risked little. With just a $2m investment, it entered into "a *joint* venture within a joint venture," a fiendishly complicated deal requiring 16 separate agreements. It ended up with 10 per cent of a state-of-the-art 27m can making enterprise and an exclusive 20-year technology agreement with the plant. It was also ahead of potential competitors for the Chinese can-making market.

The two formed a joint venture company with 40 per cent interest each, gave 10 per cent stakes to two Chinese government companies, and became MCP-Ball International. MCP-Ball International formed Guangzhou MC Packaging with four other Chinese companies.

Ball then contracted a St Louis company, Guaranteed Instruments Systems of Missouri, to assemble major sections of the line so that all the components of its system could be shipped to China where, officials say, it may be virtually impossible to obtain even the most common parts.

The line was then partially dismantled, containerised and shipped. The company says that working with Chinese partners enabled it to make all its arrangements in nine months. The problems have been relatively minor.

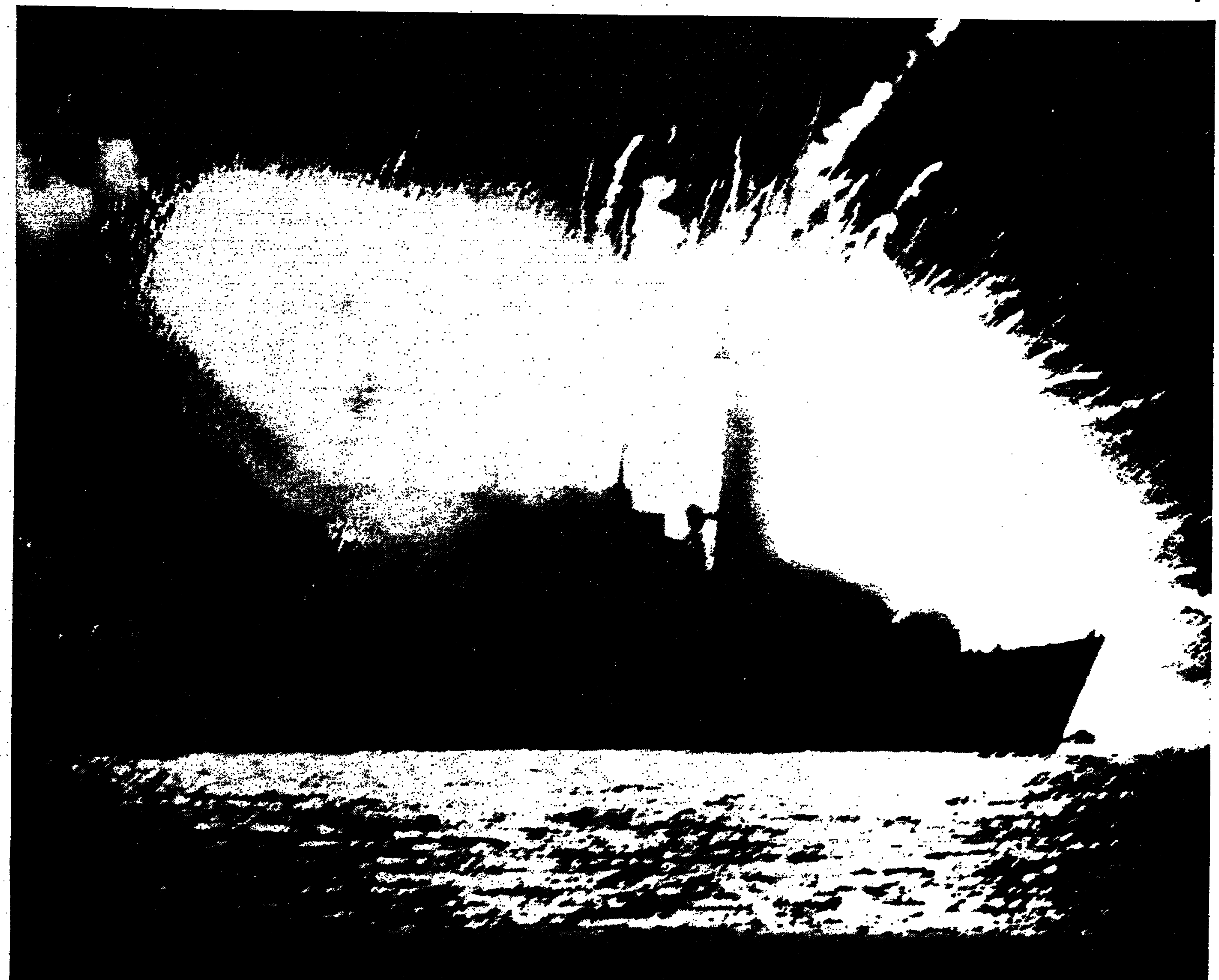
The deal may have been complex but Mr Delmont Davis, a Ball vice-president, is by no means put off by the China experience. Doing business there he says has been fun and an experience the company is hoping to repeat.

Swedish steel plant may be sold to Fujian

KOCKUMS JERNVERK of Sweden is planning to sell a steel plant in Ronneby to China International Steel in a deal worth SKr 30m (£2.9m), John Burton writes from Stockholm.

The steel plant, which was closed last September, will be dismantled and shipped to the Chinese province of Fujian, where it will be reassembled during 1987.

Production will start in 1988 with a planned capacity of 150,000 tonnes a year. A contract for the deal is expected to be signed in September or October. Sweden has become a major source of used industrial facilities for the Chinese.



Never again?

The Falklands conflict was the world's first taste of high technology air/sea warfare.

As such, it served to confirm the increasingly important role that radar will play in any future wartime engagements.

In fact, immediately the war was over, the Royal Navy was able to present industry with a completely new brief for a surface ship main radar system. And in doing so, invited a number of international companies to compete for the order.

The fact that it was our advanced 3D radar system which was eventually selected is a source of great pride to us here at Plessey.

In the light of the RN's Falkland's experience our new radar system more than meets the necessary requirements in the areas of long range air detection, aircraft control capability and automatic target indication for missiles.

Before long, all Type 42 destroyers, Type 23 frigates and Invincible class aircraft carriers will be equipped with it.

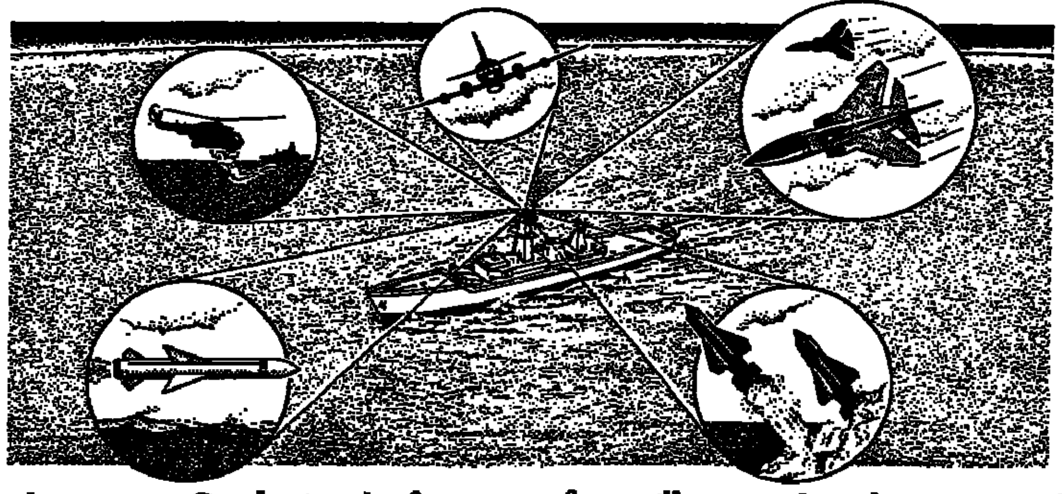
The growing threat.

Having met the RN's current needs, we're now looking to the future. Here, the growing danger is likely to come in the form of complex multi-level saturation attacks.

Working closely with the Ministry of Defence (Navy) we've made it our priority to develop a radical new multi-function radar system.

Our use of gallium arsenide circuitry (an area in which we lead the world) is enabling us to build what's known as a phased-array sensor.

Far from being a pipe dream, it's fast becoming a reality.



Combining the functions of surveillance and tracking, it has a computer which instantly controls the radar beam so it's able to deal simultaneously with multiple threats.

Clearly, phased-array radar is the future of radar technology and Plessey is one of the few companies which have established a stake in that future.

An aggressive policy.

Though we've established a world-wide reputation as a leader in radar development and system design, our activities extend way beyond this.

We're equally energetic in the fields of tele-communications and micro-electronics.

In fact, we have leading edge products in all these areas of operation. An achievement which we feel is directly attributable to our policy of heavy and constant investment in technology.

This, combined with sound strategic planning, means we're constantly identifying market needs and developing new products.

Defending ourselves.

For more than 40 years, we've been helping in the nation's defences. Applying all our technological skills, our long-term planning ability and our young entrepreneurial style of management.

Only by operating as an independent company have we been able to develop these unique qualities. And naturally we're anxious to develop them further.

Currently, the future looks excellent for both ourselves and our shareholders.

Come what may, we're determined that this future should not be threatened.

PLESSEY

The height of high technology.

Breeding becomes a dicey business

By Andrew Gowers

ELITE COW may sound like a terrifying super-breed of animal which is about to swell the EEC's already bulging dairy surplus. But it is much more innocent. It is the name of a game to be launched next month; something like a cross between Monopoly and a Friesian bull.

Like Monopoly, it involves squares on a board and a throw of the dice. The difference is that in this case, rather than buying streets and building houses and hotels, players are invited to breed and refine the best sorts of Friesian cattle.

Players start with a herd of six cows and can earn money and extra cows by improving their milk yields or their appearance. By landing on the right squares, they can avail themselves of advice from the Milk Marketing Board, loans from Midland Bank, or semen from one of six artificial insemination companies.

They also face possible pitfalls equivalent to going to jail or paying water taxes – such as getting into legal trouble, developing persistent mastitis and being forced to sell cows for slaughter, or dropping their flask of semen, worth £100, on the barn floor.

The game has been produced by Waddington, the Monopoly makers, on behalf of the British Friesian Cattle Society (BFCS), and is designed to raise money for young farmers as well as to promote the Friesian breed and provide some advertising for its sponsors.

What it does not set out to do is to explain the byzantine regulations surrounding milk production in the EEC or the even more tangled web of rules covering milk marketing in Britain. "We didn't want to get too technical, or it would have become a serious management game rather than one which you play for fun," said Mr Philip Gilbert, a BFCS official.

The game will sell for £12 a time to people involved or interested in dairy farming. It will not, at least for now, be on general sale, partly because of the rather earthy nature of the enterprise it portrays.

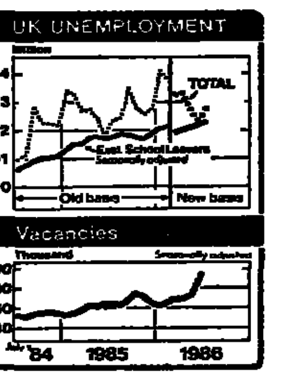
"Anybody who's in breeding talks about semen as part of their daily business," said the official. "To people who aren't in the business, it may not be quite the thing."

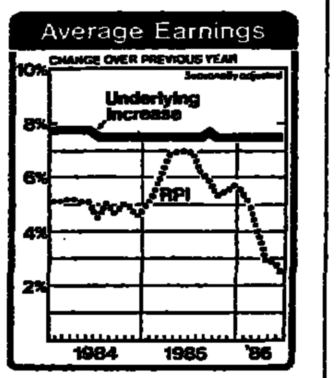
Unemployment rising at up to 15,000 a month

BY GEORGE GRAHAM

UNEMPLOYMENT in the UK rose by 50,000 last month, continuing its remorseless rise over the last eight months.

The underlying jobless total rose by 4,400 to 3.244m, after adjusting for normal seasonal variations and excluding school leavers, the Department of Employment said yesterday. Officials believe last month's rise was relatively modest, but assess the upwards trend in unemployment at 10,000 to 15,000 a month.





The count excludes 125,000 school leavers who cannot claim social security benefits yet. About half of those are expected to come on to the unemployment count next month. A further 353,000 are engaged in job-creation schemes such as the Community Programme, among them an estimated 275,000 who would otherwise be included in the jobless count; and 280,000 are involved in the Youth Training Scheme.

The level of unemployment has risen steadily since November last year, as the slowdown in economic activity began to affect manufacturing employment. Unemployment had seemed to level off at a seasonally adjusted total of about 3.12m in the second half of 1985.

Mr Kenneth Clarke, the Paymaster General, said yesterday that he shared the expectation that the world economy would pick up this year after the pause in its growth. That would provide an opportunity to create more jobs, which "are still not coming fast enough to keep pace with the growing number of people looking for work."

His colleague, Mr Nigel Lawson, the Chancellor of the Exchequer, told MPs last month that the numbers out of work seemed "likely to rise further in the immediate future, at least until the pause is over." Mr Clarke yesterday blamed high unemployment on pay continuing to rise faster than inflation.

"It is becoming increasingly clear that the persistence of high unemployment in an expanding economy is largely a self-inflicted problem caused by the traditions of British pay bargaining," Mr Clarke said.

The Trade Union Congress said in a statement that the loss of jobs in manufacturing industry was accelerating, and there was every reason to believe that the second half of 1986 would be as bad as the first half unless the Government changed its economic policies.

Employment in manufacturing industry fell by 8,000 in June, bringing the total number of manufacturing jobs lost in the second quarter to 40,000. That compares with only 1,000 jobs lost in the second quarter of 1985.

Manufacturing industry saw its labour costs accelerate in June as productivity remained sluggish and earnings continued to rise rapidly.

Wage costs per unit of output in June were 7.7 per cent higher than a year earlier, compared with 7.3 per cent the previous month, the Department of Employment said. For the whole economy, figures are available only up to the first quarter, when unit wage costs were 6.8 per cent up from a year earlier.

TUC sees job flexibility need

BY DAVID BRINDLE, LABOUR CORRESPONDENT

TRADE UNION leaders are accepting that there is a need for "some occupational and geographical flexibility" in the labour market to enable the economy to respond to technological and industrial change.

Although it specifically rejects the advice formerly given by some government ministers, that unemployed people should leave home in search of work, the Trades Union Congress (TUC) admits that Britain compares unfavourably with competing countries in labour-mobility terms.

The comments come in a confidential report considered this week by the TUC economic committee. The report, dealing with labour market flexibility as a whole, is intended for circulation among unions to counter growing government and employer pressure for greater labour flexibility on their terms.

Production of the report, the first of its kind, followed the issuing to unions last December of a consultative paper on flexibility to establish clear evidence of labour-market trends.

Replies were received from 14 unions representing about 3.75m workers. They submitted information on several emerging themes

The unions called for greater assistance on those issues from the TUC, which had previously regarded with scepticism claims of growing labour flexibility but which is now to respond

The TUC accuses the Government of "hijacking" the flexibility concept and using it to attack workers and their unions.

On working patterns, the report generally opposes contractual change and is highly suspicious of variation of working time. Pursued to their logical conclusion, it says, the Government's measures to weaken job security would "bring a return for many workers to the old hire-and-fire casual labour practices, such as those previously seen on the docks."

NEC defies trend by increasing prices

NEC, one of the leading Japanese electronics companies, is to increase the price of its printers for personal computers in the UK by about 10 per cent, David Thomas writes. The move goes against the general trend of falling prices in the personal computer market.

NEC says it is making the move, which is restricted to its sales in the UK, because of concern about the effect that falling prices in the personal computer market are having on the dealer network. Some dealers have recently gone out of business, blaming low margins.

□ PRIVATISATION of British Airways, originally expected this summer but delayed into next year, "is an essential step towards realising the full potential" of the airline, says Lord King, chairman, in BA's latest report and accounts. The BA financial results for 1985-86 were announced earlier this year, with a pre-tax profit of £183m compared with £168m in the previous year.

□ CURBS on sheep movements in North Wales as a result of the fall-out of radiation from the Chernobyl nuclear plant disaster in the Soviet Union, are to be eased. From next week, a ban on the movement of animals is to be relaxed to enable sheep to leave affected areas. That will conserve pasture, which is being steadily eaten away. A ban on slaughter remains.

□ SEVERAL FARMING regions in Britain were designated as environmentally sensitive areas and farmers are to be paid not to engage in intensive agriculture, which could destroy them.

Announcing the five sites in England, Mr Michael Jopling, Agriculture Minister, said all had been chosen because of their particular importance for their landscape, historic or habitat value.

□ BRITISH TELECOM signed a £5m contract with Shearson Lehman Brothers International, the investment bank, to provide dealing technology for a London securities-trading floor expected to be one of the biggest outside the US. It will contain positions for 501 dealers, but is likely to expand to 620 positions by 1990.

□ BANK JULIUS BAER, of Zurich, is proposing to form an investment company to invest in theatrical productions in the UK and overseas. Mr Philip Amphlett, senior vice-president, said that although final plans for the investment arm were not yet complete the bank already had several well known individuals and institutions on the board.

□ TOTAL STEEL production from the public and private sector in the first seven months of this year was more than 10 per cent lower than in the same period last year. British Steel Corporation said some of the decline in output was because of the rebuilding and relining of the main Redcar blast furnace at the corporation's Teesside works.

□ MR DAVID STEEN, who has spearheaded the development of the London Stock Exchange's traded options market over the past eight years, has resigned as chairman of the Traded Options Committee.

Mr David Parry, of stockbrokers' Panmure Gordon, has been appointed to replace him.

□ PARENTS of murdered police constable Yvonne Fletcher, whose Libyan assassin was allowed to leave the UK in 1984 because of diplomatic status, began a national campaign to urge the Government to make changes in the law of diplomatic immunity.

□ THE GOVERNMENT has been told by the Confederation of British Industry that small companies frequently lack knowledge about the availability of government grants and have insufficient understanding about their application.

□ FIVE GURKHA soldiers were sentenced in London to a total of 11 years in prison for smuggling £190,000 worth of drugs into Britain.

Vauxhall unions told to prepare for job cuts as losses mount

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the General Motors UK subsidiary, expects record losses this year and needs to reduce its operating costs by at least a fifth, union leaders have been warned.

That is expected to lead to another voluntary-redundancy and early-retirement programme. Some union officials believe that 1,200 jobs will have to go, representing a further 9.6 per cent cut in Vauxhall's workforces of 12,500.

With an eye on the prospect of substantial output from the new car factory established in the UK by Nissan, Vauxhall is also looking for changes in working practices, including a single-union, "no-strike" deal of the type concluded by the Japanese group.

Mr John Bagshaw, the chairman and chief executive, indicated that Vauxhall's loss this year would be greater than the record £47.4m deficit for 1985.

Vauxhall declined to confirm the details given to the unions, insisting that they were confidential. However, the company said the mood of the meeting between Mr Bagshaw and the unions was "very positive."

It was decided to set up joint working parties composed of management and union representatives to consider what joint action was necessary in various Vauxhall operations to put the company on a better footing, the company added.

The unions expect to hear further details of Vauxhall's plans for the coming two years at meetings for all employees at the Luton, Bedfordshire, and Ellesmere Port, Merseyside, plants at the beginning of next month.

Vauxhall seems confident of achieving the necessary job cuts by voluntary means because it has many employees aged over 50, including more than two fifths of its male salaried employees.

GM recently instituted a similar jobs-reduction programme at its Bedford commercial-vehicle subsidiary, which lost £73m last year. It asked for 1,700 voluntary redundancies and early retirements from the workforce of 7,200.

Within three week's more than 2,000 employees had inquired about the programme and terms were agreed with 1,050 shop-floor workers.

Reliant shelves US plan

BY JOHN GRIFFITHS

RELIANT, the Staffordshire-based maker of sports cars and three-wheel cars, produced only 165 units of its new SS 1 sports car in the first half of this year and has shelved plans to introduce it in the important North American market.

The SS 1 production figure falls far short of the company's original ambitions for the car, which has been seen as fulfilling a market niche left vacant by the demise of cheap British Leyland sports cars such as the MG Midget and Triumph Spitfire.

When the open two-seater was first announced in October, 1984, Mr Ritchie Spencer, Reliant's managing director, said the company expected to build and sell 800 cars in its first year of production, starting in March last year.

Just under 550 SS 1s were sold during nine months of sales last year but the figure has fallen to 152 in the first seven months of this year. The figures mean that the SS 1 is now being outsold two to one by Fiat's similarly priced X1/9 sports car and eight to one by Toyota's more expensive MR 2 two-seater.

Hunting awarded anti-tank contract

By Joan Gray

THE MINISTRY of Defence has awarded a £200m order for the next generation of anti-tank weapons for the British Army to Hunting Engineering of Ampthill, Bedfordshire.

Approximately two thirds of the work, worth £130m, will be subcontracted throughout Royal Ordnance's seven factories, where it will create jobs and safeguard employment after a big redundancy programme this year.

The contract will create an extra 400 jobs over the next four years, according to the ministry.

The new weapon is officially named the Law 80, but is more picturesquely described by the ministry as a "new-generation tank-buster."

It was developed by Hunting Engineering with Royal Ordnance as subcontractor from original work done by the Royal Army Research and Development Establishment.

The original development contract was awarded in 1978. The first weapons will be ready for use by the Army next year.

The Law 80 is a lightweight, portable, disposable, mainly plastic anti-tank rocket. It is designed to be able to pierce the armour of the main battle tanks that the ministry describes as "the enemy's most powerful fighting machines on the ground."

It can be carried by a soldier in addition to his normal equipment and fired from the shoulder, using an initial burst of tracer fire before launching the main rocket to position the final shot more accurately.

The projectile strikes the tank and sends a jet of hot gas through the armour, which causes the metal to break up, disabling both machine and crew. Once fired, the weapon can be thrown away.

The weapon will replace the American M72 and Swedish Carl Gustav anti-tank rockets

Ford and Rover suffer decline in commercial vehicle output

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD and the state-owned Rover Group, the UK's two leading commercial-vehicle producers, each recorded a substantial fall in output during the first half of 1986 compared with the same months last year.

Ford's production dropped by 13,737 vehicles or nearly 23 per cent compared with the first six months of 1985 to 46,207.

Output of the group's replacement for the Transit van, Ford's best-selling commercial vehicle, which was launched last autumn, was being built up only gradually in the early part of this year.

There were also considerable uncertainties about the future of Ford's heavy-truck business, which eventually was transferred to a new joint company under the management control of Iveco, the Fiat-owned commercial vehicle group.

All sectors of the Rover Group's commercial-vehicle operations saw a significant drop in production, at least some of which was caused by the public debate about the future of Land Rover and the Leyland truck and bus operations.

Land Rover was also reorganising production on one site at Solihull, West Midlands, involving closing seven satellite plants. In the first six months, Land Rover output (excluding Range Rovers, which count as cars) fell by 3,945 or 25 per cent to 11,887.

UK COMMERCIAL VEHICLE PRODUCTION (first six months)

	1985	1986
Total output	144,952	117,356
Austin Rover	13,816	10,647
Land Rover	15,832	11,887
Freight Rover	10,485	9,367
Leyland Vehicles	8,219	6,475
Total Rover Group	48,322	38,376
Ford	59,944	46,207
GM Bedford	30,884	27,827
ERF	1,061	891
Foden	254	287
Hestair-Dennis	430	329
Metro-Cammell-Weymann	243	128
Renault-Dodge	2,771	2,398
Seddon Atkinson	803	793

Source: Society of Motor Manufacturers and Traders monthly statistical review

Austin Rover's van production declined by nearly 23 per cent or 3,169 to 10,647. Freight Rover's output of Sherpa medium and heavy vans slipped by 10.7 per cent or 1,118 to 9,367. Production of Leyland trucks and buses dropped by more than 21 per cent or 1,744 to 6,475.

That left the total Rover Group commercial-vehicle output down by 20.6 per cent, or 9,946 vehicles, at 38,376.

According to statistics soon to be published in the Society of Motor Manufacturers' monthly statistical review, total UK commercial-vehicle production in the six months fell by 19 per cent or 27,596 to 117,356 compared with the same months of 1985.

Although demand in the UK held at the 1985 level, imports took a bigger share of the market and the British producers still face difficulties in their traditional export markets.

Oil price slump starts bitter round of cutting wage costs

Charles Leadbeater reports on the new facts of life in the North Sea

ALONG the coast, oil exploration rigs stand like monuments, in the airport's hangar helicopters sit mothballed, and the JobCentre has several hundred new customers.

Aberdeen is coming to terms with the new facts of life in the North Sea: lower oil prices compounded by endemic uncertainty. The price fall has fed through a bitter round of bargaining into widespread wage freezes, redundancies and union concessions.

But despite the delayed effect on oil-industry wage bargaining, the oil-producing sector has been cut much more quickly than the rest of the economy has expanded.

The skilled employees of the leading oil producers have not been much affected yet. They are the secure "core" workers of the North Sea.

The main burden has fallen on two groups: the "periphery" of unskilled workers employed by the sub-contracting companies that supply rigs with everything from helicopter flights to housekeeping, and the employees of oil exploration and drilling companies. Both depend on the custom of the oil majors.

"We do not think that the oil price fall will affect employment with us very much," said BP. Nearly nine tenths of BP's employees in the Aberdeen area work on rigs producing oil.

"Those rigs are a sunk cost: to keep on pumping out oil you need a certain number of people," said BP. Wage increases will be awarded in November. But even then, BP employees may well be cushioned by what some have called the oil majors' unwillingness to pass the benefits of lower prices to the consumer.

"We have had to cut costs but mainly through cutting back on the fat – flights to and from the rigs, maintenance work, and of course oil exploration and drilling," BP said.

North Sea drilling and exploration in 1986 will be 25 per cent down on last year, stockbrokers James Capel predict.

The cost-cutting measures of the majors have had a dramatic effect on work in the companies that depend on them.

In exploration and drilling, even highly skilled staff have been hit in recent months. "The two groups of workers who used to be in severely short supply were good drilling and petroleum engineers. They were the people who could command six-figure salaries: now they are in over-abundant supply," said BP.

"Across the seven rig companies there have been around 600 redundancies since the start of the year and, in all, workers' wages have been frozen at 1985 levels," said Mr Warren Duncan of the National Union of Seamen (NUS).

The cuts out at sea are also starting to affect the onshore manufacturing hinterland of the oil-exploration sector. On Wednesday, workers at the UIE rig yard at Clydebank, near Glasgow, walked out in protest at expected redundancies among 800 contract and 530 full-time workers.

In July, seamen working on the vessels that supply rigs with the equipment to keep them going – everything from drill bits to milk – agreed to a six-month wage freeze. The employers had initially asked for a 25 per cent saving on labour costs.

"Officially the wage freeze is supposed to last till January, but we expect it will run for a whole year," said Mr Harry Bygate of the NUS.

Divers face an altogether different kind of problem. "Our normal diving season lasts till November but we are starting to run down now," said Mr Christopher Smith of Wharton, Williams.

Unemployment among divers has doubled in 1986, according to Mr Bygate. But neither the NUS nor diving companies expect rates of pay, which range from £20,000 to £40,000 a year, to be much affected.

Out at Aberdeen airport, pilots and mechanics sit twiddling their thumbs waiting for work, but many of their semi-skilled support staff have already been laid off. Volume at the airport, which handled 1.7m passengers last year, is down by about 15 per cent.

Intensified competition in a declining market also threatens to provoke a price war in the offshore catering business, where a one-year contract can be worth more than £1m.

Two weeks ago, Phoenix Caterers was expelled from its trade association for winning a two-year contract by offering rates of pay well below those agreed by the other members of the Offshore Caterers' Trade Association. Wage cuts of about £2,000 a year were imposed on catering staff, according to the Transport and General Workers' Union.

The unions could win back some to the ground they have conceded if the oil price rises and sticks. But the rules of the North Sea have changed irreversibly.

Fortnightly SE account criticised

By Alexander Nicoll

THE LONDON Stock Exchange expects pressure to build up among its members over the next few years for changes to its traditional fortnightly account period. But it plans no alteration of the current system in the short term.

Many stockbrokers, especially those accustomed to international markets such as the US, view the current trading method as anachronistic. Stock exchange dealing is divided into two-week periods and settlement does not take place until 10 days after the end of each period.

Mr Michael Baker, the exchange's director of settlement services, said yesterday that a survey of members had shown that they wished to retain the fortnightly account for the present. But pressure was likely to grow, especially from foreign firms, to bring London into line with other markets, he said.

● Companies involved in takeover battles will in future be given a maximum of 15 minutes' advance warning by the Government on whether their bids are being referred to the Monopolies Commission, **Martin Dickson writes.**

In the past, many companies have been given a courtesy call by officials, advising them of the reference decision on the evening before a public announcement.

Money growth rises to annual 19.3%

BY OUR ECONOMICS STAFF

BRITAIN'S BROAD money supply rose only slightly last month, the Bank of England confirmed yesterday. Sterling M3, the broad measure of money the growth of which the Government tries to control, increased by £200m or 0.1 per cent during the July banking month.

That brought the annual rate of increase to 19.3 per cent, well outside the Government's target range of 11 per cent to 15 per cent growth.

The amount of notes and coins in circulation fell by £100m during the month, but there was a rise of £320m in non-interest-bearing sight deposits and of £500m in interest-bearing sight deposits. Time deposits fell by £530m.

M2, an aggregate that attempts to measure the balances people have available for immediate transactions, rose by £1.86bn or 1.2 per cent. Over the past year it has risen by 13.9 per cent.

Some economists feel that M2 provides a better measure of monetary growth than M3, but the series of figures has not been collected for long enough to allow the Bank of England to adjust the monthly statistics for seasonal variations.

PSL2, the broadest measure of liquidity published by the Bank, which adds building societies and some other forms of deposit to the statistics for bank deposits and cash, rose last month by £910m or 0.4 per cent, seasonally adjusted.

ICL profits from a changing strategy

David Thomas looks at the British computer company brought back four years ago from the brink of bankruptcy

ICL, THE largest UK-owned computer company, is the focus of renewed interest within the industry. Not long ago it was considered one of the weakest reeds among mainstream computer companies.

Its 64 per cent increase in half-yearly operating profits announced by STC, the company's parent, this month, was just the latest sign that its new strategy is working.

That strategy was put together by Mr Peter Bonfield, ICL chairman, and Dr Robb Wilmot, his predecessor, when they brought the company back from the brink of bankruptcy in 1982.

At the heart of that strategy was a clear set of perceptions about what markets ICL should be in, and equally important, what ICL was *not*.

"For ICL to have had the same strategy as IBM would have been crazy," says Dr Aodh O'Dochartaigh, an ICL board member. The new ICL is "more realistic," as one close ICL-watcher, himself an ex-IBM executive, puts it.

In the past, by contrast, ICL had seemed over-dependent on its protected position among certain customers, particularly among the UK public sector, and mesmerised by technology. It lacked clear strategies and decisive marketing.

The new course on which ICL is set flows from clear decisions by its top managers on a number of interlinked issues. They include:

Services. In the past, ICL was seen as a mainframe manufacturer, and a struggling one at that. Mainframes are still important to it and ICL says its Series 39, launched last year, is selling well. But the company also decided to put much greater emphasis on selling computer services and systems.

"We are not in the business of providing a cheaper box than someone else with the same or cheaper functions," argues Dr O'Dochartaigh. So ICL has put greater emphasis on services, such as value-added networks, and on micro-based distributed systems. Both of those are taking a growing share of ICL's turnover.

Specialisation. Within this wider set of interests, ICL is also trying to develop certain niche markets, such as retailing, manufacturing and financial services.

It has even identified niches within niches – in retailing, (points of sale in supermarkets with about 20 lanes); in manufacturing (batch companies with turnover of about £100m); and in financial services (building societies).

Joint ventures. "Our investment levels against IBM's are paltry, that is why collaboration is so important," Dr O'Dochartaigh says.

Its most significant collaboration has been with Fujitsu of Japan in the development of the new ICL mainframe. Recently, there has been a spate of announcements of joint ventures in services, including on value-added networks with Mercury and on technical workstations with Sun Microsystems of the US, as well as talks with Geisco, the information services subsidiary of General Electric of the US, on the electronic interchange of business information.

ICL is expecting to announce more joint ventures before the year's end.

New markets. "The marketplace to which we have natural access – the UK – is too small," Dr O'Dochartaigh says.

Some 59 per cent of its sales are now in the UK but it has set itself the ambitious target of increasing its continental European sales by 25 per cent a year.

It points to contracts such as those from the retailing groups Euromarché of France and Renascente of Italy as showing that its niche strategy might pay off there too.

The company says that expanding its presence on the continent is now its priority. It has invited a panel of eminent outsiders to advise it on its European strategy.

There is no doubt that the new ICL is in much better shape than the lumbering dinosaur of the past. The City of London has been generally impressed by its recent performance.

Perhaps the biggest query hangs over ICL's relation to its parent, STC, which had its recent half-yearly results met with a less than flattering reception in the City.

Partly thanks to STC's surgery on the rest of its business, ICL, taken over by STC in 1984, now accounts for almost two thirds of the group's turnover.

ICL has devised its strategy on the assumption that it will have to generate all its own cash. With its competitors making huge investments, this may not be sustainable in the long run.

One analyst puts the point polemically: "It does not do ICL any good at all to be part of the STC group."

The child may have outgrown the parent.

Wrangler licence deal

BY CHRIS CRAGG

BLUE BELL International, the makers of Wrangler jeans, has signed a licensing agreement with Clifford Williams & Son, the Shropshire-based textile company. The deal is for the use of the Wrangler name on a new range of men's tailored trousers.

The licensing agreement represents a significant shift for the Wrangler brand name in the UK from jeans, shirts and sportswear into men's leisure trousers. They will be more formal than those normally associated with the brand.

Clifford Williams, a part of the William Baird Group, will design, make and sell the range. It will pay a substantial minimum royalty for the use of the brand name but will receive the benefit of Wrangler's considerable television advertising.

The company produces more than 150,000 garments weekly from 13 modern factories, employing more than 3,000 people. Specialising in men's trousers, it apparently impressed Blue Bell International with the sophistication of its computer-aided design and production techniques.

Mr Porter Thompson, president of Blue Bell International, said the move resulted from a belief that the principal UK clothes market had shifted from the 18-to-25 age group to the 25-to-40 age range, with changes in disposable income.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

SANYO'S strike-free agreement with the EETPU, like those at Toshiba and Hitachi, was born out of crisis. In October 1980 Philips announced the closure of its television plant at Lowestoft, in Suffolk, because of overcapacity in the industry. The company wanted to concentrate its manufacturing in Croydon, Surrey; 1,100 lost their jobs at Lowestoft.

Like many Japanese companies, Sanyo was looking for a manufacturing base inside the EEC. "We were approached by Sanyo," says Noel Salmon, then with Philips, now Sanyo's head of personnel, "who bought the site. They didn't want the people, just the site."

To run the new plant, Sanyo signed back on about 250 of those formerly employed with Philips (though on lower rates of pay), and, after looking at Toshiba, reached a single-union, strike-free agreement with the EETPU in June 1982, which provided for differences to be resolved by pendulum arbitration, if necessary, and stipulated against industrial action. Those reprieved, who made up the new workforce, were in no doubt about the extent of the change, according to Rod Cooper, EETPU senior steward: "People have come to realise that the whole situation is totally different. The boot's on the other foot, if you like—and that's accepted."

That level of acceptance was a contributory factor to three successfully concluded sets of annual pay negotiations. But by December 1984, the lower pay levels at Sanyo were causing the union difficulty.

Partly, it was an unseen clash between two planes of the labour market: geographically, rates at Sanyo were in line with the market rates in low-paid East Anglia; within the industry, the EETPU calculated that Sanyo's process workers, for instance, received about £18 a week less than the average, and other employers were starting to quote Sanyo against the EETPU when seeking increases elsewhere, arguing that if the union could sanction such pay levels at Sanyo, why not elsewhere? Roy Sanderson, the EETPU's national officer with responsibility for the electronics industry, and the union were determined to try to improve Sanyo pay levels.

Accordingly, the union tabled a claim within the company's joint negotiating council, for a flat-rate weekly increase of £15, plus reduced hours and improved holidays; the company replied with an offer of 6 per cent plus at first one week's and later two weeks' extra bonus payment.

The offer was rejected in a ballot of the workforce. Under

Negotiating

Nothing is as simple as it seems

Philip Bassett, in the second of three extracts from his study of Britain's changing industrial relations, looks at Sanyo's experience with a single union deal at its UK plant in Lowestoft

Sanyo took over Philips' plant in Lowestoft to manufacture TV sets and introduced a single union strike-free deal in 1982

Sanyo procedure, Sanderson at this point stepped into the negotiations, and on December 13, the union tabled a claim aimed at making up over three years what it saw as the pay shortfall—30 per cent in the first year, 50 per cent in the second, and full parity in the third.

At this point, accounts of events between the company and the union start to conflict sharply—creating at the time a considerable degree of at least misunderstanding, and at worst a good deal more than that. EETPU members now say that the company was at the time doing nothing to rebut rumours in the plant that the union's claim was for an increase of £12 a week, since the company felt that to go to pendulum arbitration with such a claim from the union would inevitably lead to a finding in the company's favour.

Sanderson now acknowledges he did use such a figure in the negotiations, but only as an illustrative point, not as a definitive claim. The company replied by improving its offer, giving a further week's bonus and an extra day's annual holiday entitlement. The offer was again rejected in a workforce ballot, and the issue was jointly referred to arbitration.

The two sides asked Acas to provide an arbitrator. Acas keeps a list of arbitrators for deployment in disputes, and from it the service suggested Professor Sid Kessler, an industrial relations academic from the City University, London, with extensive arbitration experience. On January 2, the two sides agreed terms of reference for Kessler, which were:

1—to attempt to resolve the disagreement between Sanyo and the EETPU over the the review of salaries and conditions of employment due on December 1 1984.

2—In the event that a mediated settlement *is* not possible, then to arbitrate a settlement by deciding for the company's case only, or the union's case only.

Outside the agreement

The significant point about these terms of reference, confirmed by letter to Acas, is that mediation — a non-binding award by a third party—is not written into the company's strike-free deal with the EETPU. Why both sides went outside the agreement seems to have again been a difference of understanding, in this case of what exactly mediation was.

Fact-finding plays a considerable part in US pendulum arbitration deals—a point of which Sanderson was unaware when he negotiated first Toshiba's and then Sanyo's agreements: "At the time that those agreements were made, I was not aware of the refinements that had taken place to straightforward final-offer arbitration." Sanderson sees the whole point of pendulum arbitration as being a device to keep people in procedure, to keep them negotiating, until a deal is reached, and so was impressed by the flexibility a further, inserted, stage seemed to offer.

Sanyo either did not fully realise that these were Sanderson's intentions, or simply saw the mediation mechanism provided for in the terms of reference as a short staging-post on the way to pendulum arbitration.

Kessler arrived in Lowestoft on January 9, and was presented with both sides' statement of case in preparation for the hearing the following day. Both sides also exchanged their statements. To the surprise of both Kessler and Noel Salmon, heading Sanyo's team, the EETPU appeared to have changed its offer. Its written claim in its final statement of case was no longer for a three-year deal, but for three points, on top of the company's final offer: an increase of £1.86 per week on all salaries from December 1 1984; a 39-hour working week from July 1 1985; and an extra day's holiday from January 1986, with a further day in January 1987. Salmon was appalled—given what he thought was the union's claim, he was convinced the company would be successful if that and the company's were tested by pendulum arbitration; he therefore had been ready to take that step, confident the company would not be faced with the cost of meeting the union's whole claim.

For his part, Sanderson denies strongly that there was any change of claim, insisting that the union had only ever wanted to move towards its target of parity for Sanyo pay with outside comparable companies in stages, and that this was simply the first stage for the year under review.

But, in any case, he contends that under the American experience of pendulum arbitration which he was taking as his model, altering the claim right up to the final moment is perfectly permissible.

Kessler opened the hearing on January 10. Salmon protested at what he saw as the union's changed claim, insisting in a statement that "the integrity of pendulum arbitration entirely depends upon both parties declaring their final position for consideration at the final negotiating discussions." He said: "The concept behind pendulum arbitration is, we believe, to make negotiators carefully consider the content and direction of their final negotiating position in the knowledge that, without agreement, those positions would be tested by arbitration. Changes made at the arbitration stage are not in keeping with the concept behind the pendulum arbitration process."

Salmon asked Kessler to rule on which was the union's final claim. Kessler, while sympathising in principle with the company, found in favour of the union's written claim, submitted the night before.

Sanderson was now surprised when the company then challenged the terms of reference, arguing against mediation and in favour of the procedure as contained in its written agreement with the union. Though the agreement makes provision for pendulum arbitration, it is not wholly mandatory, and Salmon looked likely now to refuse to proceed to that stage. Though he saw a conflict of interest in the two roles, Kessler told both sides that under mediation, as he saw it, he would make recommendations and allow the two sides to consider them, before proceeding further.

The company and the union eventually agreed to this. Kessler considered, and came back with a compromise proposal—a 7 per cent pay increase; three weeks' bonus for 1984, to be paid by the end of January 1985; an extra day's holiday from January 1985, and a further day 12 months later; and a 39-hour working week, without loss of pay, from December 1 1985.

Sanyo accepted Kessler's suggestion that night. The EETPU asked for time. The union was in fact caught in a ticklish dilemma. If the company accepted the recommendation and the union rejected it, the union felt that Kessler as arbitrator as well as mediator would be likely to find in favour of the company under pendulum arbitration. So by rejecting the mediated offer, the EETPU thought it likely that the union might end up with having to accept a worse offer than that already accepted by the company.

As Sanderson puts it now, "The members would have scorched us." After anguishing overnight, the hearing reconvened on the morning of January 11, and the union accepted Kessler's proposal.

But the matter did not end there. Privately, though the company was probably not unhappy with the level of settlement, it was distinctly concerned about the method by which it was reached; in particular, by what it saw as the union's changed claim. Both sides agreed to look at their existing agreement, to try to see if it could be made more specific on what constituted a final position, and how and when arbitration should be triggered.

Separate proposals

Dennis Boyd, Acas's chief conciliation officer, held a number of meetings with all sides, and eventually the company and union agreed to put to a ballot of Sanyo's workers two separate proposals: the first, supported by the company, that the agreement should remain unchanged; the second, supported by the union, that it should be amended to provide for mediation prior to pendulum arbitration. On May 8, the workforce voted by 2-1 in favour of maintaining the present agreement.

But, following that vote, the company then drew up a code of practice to clarify how the procedure should operate in any future dispute. The code was essentially twofold. The first element concerned communication:

Clear communication between the parties is essential to prevent misunderstanding and ambiguity. To this end, the parties will, at all stages of the procedure and before moving from one stage to the next, communicate in writing to each other their proposals for improvements to terms and conditions of employment or for the resolution of the issues under discussion.

At the final negotiating stage, both sides would try to resolve differences by negotiation to the point of putting the issue out to ballot. It was the approach to balloting which provided the second element. Before union ballots, a joint statement would be issued providing a detailed account of each side's position, and facilities would be granted to the union to counsel members on the union's position towards the ballot.

Sanderson now feels that the agreement is clearer for the testing it took; Salmon agrees.

This complicated history of the first real difference under the strike-free deals—Sanyo's 1985 pay settlements sailed through without a hitch—is important because it does show in detail that the operation of the agreements is likely to be more complex in practice than it might seem in theory.

In a sense, though, activating the procedure was both messy and complicated, it *did* keep people talking, it did produce a settlement to a difficult disagreement without any industrial action. The difficulties surrounding the whole affair perhaps cast the agreements in a poorer light than was warranted, but they raised for arbitrators and industrial relations more generally fundamental questions about the deals' operation.

Can the system in practice bear negotiation, conciliation and mediation right up to the point of arbitration? When should negotiations be considered to have broken down? If that point can be determined, should the claim and offer current at that stage be deemed final? Could conciliation at that point, but before pendulum arbitration comes into play, have a role? Despite the company's code of practice, what happened at Sanyo has raised a number of issues which only greater experience of the system will be able to answer.

Strike Free: New Industrial Relations in Britain, by Philip Bassett. Macmillan, £10.95. Reprinted by permission of Macmillan, London. To be published on August 28.

TECHNOLOGY

Peter Marsh explains how young companies have won the lion's share of a rapidly expanding energy management market

Industry giants suffer as minnows prove more innovative

TETLEY WALKER, a British brewery, hopes over the next couple of years to save £500,000 on the cost of heating 250 pubs in northern England, thanks to an energy management programme based on a system of computerised monitoring devices.

The brewery is one of hundreds of large organisations which in recent years have turned to electronic techniques in a bid to cut energy costs. The energy systems are based on networks of small computers, scattered around individual buildings, which control heating and lighting equipment in accordance both with set programs and other factors such as the state of the weather.

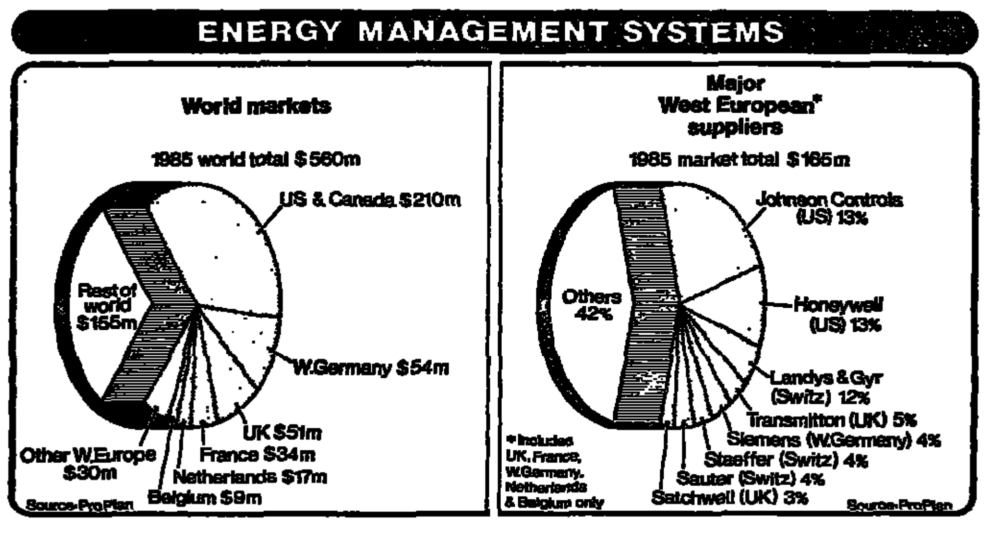
Demand for the new systems, which depend heavily on software techniques and communications links and which are gradually replacing older energy control systems based on electro-mechanical devices, has spawned several small, innovative European companies. These are fighting the dominance in the heating controls business of a few large concerns such as Honeywell and Johnson Controls of the US and Landis and Gyr of Switzerland.

According to Mr Allan McHale, director of ProPlan, a UK market-research consultancy, the West European market for energy-management systems for non-domestic buildings has more than doubled in the past five years, to reach $195m last year. World sales of such systems is put at $560m, of which $210m is in the US and Canada.

While Honeywell, Johnson and Landis and Gyr accounted for roughly 90 per cent of West European sales in 1981, the figure, says ProPlan, dropped to 38 per cent last year.

Smaller companies which have advanced rapidly in recent years in Europe include Transmitton, Trend Control Systems and JEL of Britain, Sofrel and Stratel in France, HCS Technology in West Germany and Priva of the Netherlands. Other well-established European concerns which sell energy systems include Britain's Satchwell, which is owned by GEC, Siemens of West Germany, and Sauter and Staeffer of Switzerland.

In the US, meanwhile, MCC-Powers, Andover Controls and United Technologies are, with Honeywell and Johnson, among the leading suppliers. Most sales in the US, which is ahead of Europe in installations of energy systems linked up to other services such as fire and burglar alarms, involve the fitting of energy systems to new as opposed to existing buildings, while the opposite is true in Europe.



According to a ProPan study*, annual sales in Western Europe will continue to rise to about $280m in 1990. There is, says the study, enormous scope for new ventures in this business. Even by the end of the decade, no more than a few per cent of West European commercial and industrial buildings which could benefit from energy systems will have them.

Energy savings from the systems can be considerable. In the past two years, Barclays Bank in the UK installed in 50 of its branches a £300,000 network of computers and sensors, linked by telecommunications lines to a supervisory computer in London, in a scheme partly paid for by the UK Department of Energy.

The equipment has cut the energy bill for these branches by a quarter, saving about £75,000 a year, says Mr Keith Thomas, Barclays' manager of technical services. With the central computer, technicians in London can send instructions to the control systems in each branch, setting limits to the temperatures inside the buildings and ordering lights to be switched on and off at fixed times.

Sensors inside and outside each bank modify the way heating and lighting equipment operates, to take into account factors such as especially sunny days or stuffy conditions caused by queues of people at cashier positions.

In another example, the landlord of the Huyton Park pub in Liverpool—one of the first of the Tetley Walker establishments to fit an energy system—saw his heating costs drop by more than half.

Tetley Walker, which is owned by Allied-Lyons, hopes the two-year programme of fitting energy management systems to 250 pubs will, coupled with other energy saving measures such as improved insulation projects, pay for itself within about three years.

A £7.5m scheme to instal energy systems in a dozen Ford car factories around Western Europe has led, meanwhile, to fuel savings of about £3m a year, according to Transmitton, the UK concern that installed the equipment.

British Airways hopes to gain similar benefits from a £1.4m system to control heating and lighting equipment in about 40 buildings, including offices and aircraft hangars, at London's Heathrow Airport.

Other big users of the new energy management systems include local authorities and organisations which administer hospitals. In Britain, Hereford and Worcester county council was an early pioneer in introducing a network of computers to control boilers and lights in schools.

The new suppliers of energy systems have, says Mr McHale of ProPlan, generally been quicker than the more established concerns to adopt new ideas such as the use of central computers to oversee the work of other processors scattered around a network. This reduces the effort needed to set a specific pattern of energy use for individual buildings — all the instructions are fed in by a single technician as opposed to one for every structure — and enables managers to keep a close watch on overall consumption.

The newer companies, also, have paid particular attention to improving the software used in their systems. These programs, for example, ensure that an energy manager can tailor a heating profile for his building that takes into account many different factors. These include the amount of rain or wind the manager can expect at a given time of year and the exact way that the bricks and mortar in the structure absorb energy.

As a rough rule of thumb, an energy management system for a group of buildings costs £10,000 for the central computer plus £5,000 for each set of rooms and factory units linked to it. Each individual building has its own individual processor plus several dozen sensors monitoring temperature and the condition of items such as pumps.

The market for energy management systems in Britain has been rising more quickly than in other European countries. This partly reflects the relatively poor heating insulation of many older buildings, as a result of which managers find they obtain especially good energy savings by installing control equipment.

Several of the newer suppliers have turned to energy management from a background in either data communications, computers or general heating systems.

Britain's Transmitton, which is owned by BICC, the cables group, and Sofrel of France, also sell industrial telemetry (electronic monitoring equipment) systems, for the water industry for instance, while Priva of the Netherlands ventured into energy management after specialising for years in heating equipment for greenhouses.

* Electronic Energy Management Systems in Buildings—the European Market 1985-1990, £3,000, from ProPlan, 25 Theobalds Road, London WC1X 8SP.

Japan should give some thought to robots

JAPANESE ROBOTICS could falter according to Mr Peter Stokes, a director specialising in computerised manufacturing at US-based technology consultancy Arthur D. Little.

He thinks the Japanese emphasis on relatively "dumb" robots, meticulously engineered for good performance and high reliability, may not suffice in future markets, where there will be more emphasis on machines with built-in "brains" that can think for themselves and take flexible manufacturing decisions.

Stokes believes such robot design favours Western companies and will become more important with decreasing computer hardware costs. But the Japanese are not unaware of the problem says Stokes, and are pouring money into research.

COMPUTER-AIDED design (CAD) market changes may occur following the acquisition this week of Scientific Calculations (SC) by Harris Corporation for an undisclosed sum. Both are US companies but are strong internationally.

WORTH WATCHING

Edited by Geoff Charlish

SC claims its printed circuit board design software, Scicards, is used in 70 per cent of major US electronics firms. Harris already has mechanical CAD products and expects the combined effort to improve its position in a marketplace currently dominated by IBM, Intergraph and Computervision.

THERMAL STORAGE and exchange of latent heat is used in equipment from French company Crystopia to reduce heating and refrigeration bills. UK company Energy Storage Systems (01-685 1595) is offering the system.

All materials absorb heat while changing state from solid to liquid (for example, ice to water) and vice versa, but Crystopia has a formulation allowing 10 times more heat (or cold) to be stored than is possible with the same volume of ordinary heated water.

Crystopia uses tennis ball-sized sealed nodules of material round which water can flow in a tank. In heating applications, water above the change of state temperature loses heat to the material during periods of low demand for heating. During peak demand, the heating system water gains heat from the material during the change from liquid to solid. The concept allows smaller fixed-load heating (or cooling, with the processes reversed) plant than would otherwise be needed to meet the peak load, thus saving money.

WURDU, as might perhaps be expected, is the name of a word processing system that operates in Urdu.

Micropraxis of Sheffield in the UK, which developed the software for the BBC microcomputer, has enquiries from Pakistan, where the only alternative software runs on a big mainframe and is used for typesetting a daily newspaper.

The package is available on a read-only memory capsule or on floppy disk and includes an overlay for the computer's keyboard. WURDU uses only an abbreviated working form of the language with 250 characters (a fraction of the total), but has apparently been well received.

Cash and Security system speeds-up the counting of banknotes and coins.

COUNTING CASH from up to 250 tills is aided by computer in the MM812 money management system from Cash and Security, St Albans, UK (0727 68203).

Banknotes and coins are counted automatically and the figures go directly into computer memory. Details of cheques, credit card vouchers and similar non-cash items are entered on a simple keyboard. From the information recorded the system can produce a wide range of printed reports and listings.

One-punch knockout for printed circuit boards

PRINTED CIRCUIT boards (PCBs) are usually drilled to make the holes for component assembly, but a fine piercing system from Aioi in Japan is offered by Bruderer (UK) of Dunstable (0582 576167).

The danger in punching PCB laminate material is that the laminations will separate and that, in any event, the holes will not be clean. The Aioi press produces all the holes in a board in one blow. Hydraulic systems prevent laminations from lifting and separating during the punching or extraction movements, with very little damage to hole edges.

COMPUTER INTEGRATED manufacturing (CIM) is dealt with from the business standpoint in a 97-page book from the Society of Manufacturing Engineers in Dearborn, Michigan, US.

CIM is the most advanced form of manufacturing technology in which the various "islands" of automation — computer-aided design and engineering, production scheduling, robotics, machine tools—are connected together to give a total manufacturing system that gives manufacturing flexibility, reduces "time to market" for new designs, improves reliability of the product and generally increases competitiveness.

The SME book covers many aspects of preparation, planning and implementation of CIM, with authors from IBM, GE (USA), AT&T, Ingersoll and Cone Drive. More on (313) 271 1500.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
15	16	17	18	19	20	21

Exhibitions

PARIS

What Is Modern Sculpture?: Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900–1970 period. Her criterion is a break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou. Closed Tue (42771112) Ends Oct 13.

Picasso Museum. The 17th century Hotel Salé, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings. 16 collages and 88 pieces of ceramics. It is completed by Picasso's collection of paintings by his friends such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. Musée Picasso, Hotel Salé, 5 Rue Thorigny, Paris 3 (42712421). Closed on Tuesdays.

Rodin's Riches. A delightful 18th century Townhouse – Hôtel Biron – contains the life work of Auguste Rodin, whose genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped in his cloak, defies time. Musée Rodin, 77, Rue de Varenne (Métro Varenne) (47050134). Closed Tuesdays.

Hispano-American Silversmith's work: The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are silver stirrups and cruel looking spurs. There are delightful perfume-burners in shapes of animals and *maté* cups for traditional herbal infusions decorated with endlessly inventive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 6.

BRUSSELS

Ghent: Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

ITALY

Florence: Fort Belvedere: Donatello and his Contemporaries illustrates the remarkable versatility of the greatest sculptor of the early Renaissance. Half the 110 works here were on show in Detroit last autumn, but notable additions include the Cellini Madonna lent by the Victoria and Albert Museum, the bronze Tondo rediscovered in 1975 and two recent discoveries of possible Donatellos: The Madonna of the Murate (found in the chapel of the one-time Florence prison) and the unfinished head of a youth, found in the Uffizi store-rooms. One room contains the four outstanding Florentine wooden crucifixions of the fifteenth century)not counting Michaelangelo's in the Casa Buonarotti): That of Brunelleschi; the crucifixion from S. Croce by Donatello, Michelozzo's from S. Niccole and the crucifix from S. Bonaventura a Boscoai Frati, of doubtful attribution. Ends Sept 7.

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

Lugano: Villa Favorita: Goya In Private Spanish Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the first world war. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesi and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

München. Lenbachhaus, Luisenstrasse 33: Hommage à Beuys: 69 painters exhibit some 100 pictures with 150 late works by Joseph Beuys (1921–1986). Ends Sept 28.

NEW YORK

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

NETHERLANDS

Amsterdam, Nieuwe Kerk. Paintings, prints and contemporary documents chart the career of Michiel de Ruyter, the brilliant Dutch admiral whose most celebrated exploit was to sail up the Medway in 1667, burning or capturing 16 ships, and making off with the Royal Charles, the pride of the English fleet, which was towed back to Rotterdam and turned into a floating ale-house and brothel. His extravagantly ornate tomb is one of the centrepieces of this serene, late Gothic church. Ends Aug 29.

Eindhoven, Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

Amsterdam, Van Gogh Museum. Vive le public an exhibition of Daumier's satirical prints of the emergent bourgeoisie bedazzled and baffled by 'Art'. Ends August 25.

Amsterdam, Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, life-size reconstructions of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for the birds and mammals. Ends Oct 19.

Leiden, Rijksmuseum van Oudheden. Treasures from Turkey gathers together more than 400 exhibits from 22 museums to provide an overview of the civilisations that left their mark on Anatolia in the course of 1,000 centuries. The first section covers the Stone and Bronze ages, with pottery, delicate figurines and gold ornaments. The second part is devoted to the classical period, from the first contacts with Greece up to the end of the Byzantine Empire, and contains superb Hellenistic statues, a Roman portrait gallery and the treasury of Constantinople. The refined cultures of the Seljuks and Ottomans are explored in the final section, furnished mainly from the Topkapi Museum, with illustrated books, tapestries and embroidered garments. Ends Sep 22.

Amsterdam, Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860–1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

WASHINGTON

National Gallery: The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

SPAIN

Madrid, Prado Museum. French, Spanish and Italian paintings of the 18th century. This exhibition from the Prado collection includes works not seen for 15–20 years as well as recent acquisitions. Tiepolo, Bayeu, Maella, Paret, Juan Bautista, Mengs. Palacio de Villahermosa, Plaza de las Cortes 5. Ends Sept 30.

Madrid, Treasures of Spain – Ten Centuries of Books. Three exhibitions gather Spain's rich book collection of 1,000 years. Biblioteca Nacional, Sala Ruiz Picasso, Paseo de Recoletos 22. Ends Sept 7.

Madrid, "Monsters, Dwarfs and Buffoons in the Court of the Austrias." Superb collection of painting by Ribera, Velazquez, Carreno, Varones, Mazo, Antonio Moro, Sanchez Coello, Sanchez Cotan. Grouped together to show the splendid donation by the Fundacion Bertran to the Fundacion Friends of the Prado Museum: Juan van der Hamen's "Portrait of a Dwarf", XVII century. Prado Museum, Edificio Villanueva, Paseo de Prado. Ends Aug 30.

Santander, Four exhibitions sponsored by Fundacion Santillana: Goya's and Picasso's bullfighting (a splendid contrast of engravings painted by two top Spanish painters in different centuries of popular bullfighting scenes); Ceramics – A Form of Plastic Expression gathers a rich and ample panorama of Spanish ceramics by young artists; Interior Voices: 12 Spanish Realism Painters; and Design and Colours of Guatemala's Textiles. Fundacion Santillana, Santillana del Mar. Ends Aug 30.

CHICAGO

Art Institute: Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, handscrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

TOKYO

Along the Sumida River: Ukiyo-e masterpieces depicting Tokyo-ites in past centuries (pre-workaholic times) relaxing by enjoying recreations such as flower-viewing in spring or boating on the river in summer. Ohta Memorial Museum in Harajuku, off Omotesando Avenue. Ends Aug 24.

Nagasaki during the Edo era (1603–1867): Everyday objects and fine art from Dejima, Nagasaki, the small island in Nagasaki harbour, foreigners' ghetto, where those (mainly Dutch) trading with Japan, were sequestered. Art objects by Dutch doctor Philipp Franz Von Siebold, one of the rare foreigners who had any direct contact with Japanese, during his Museum of Art stay 1823-29. 7, Isetan Department Store, Shinjuku. Ends Aug 19.

Okura Shukokan Museum: Sculpture and paintings from China and South-East Asia from the museum collection. Okura Hotel. Ends Aug 24.

Theatre

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Noh by Torchlight (Takagi Noh). A special treat in Tokyo's relentless summer heat is outdoor Noh performances by firelight, held in the evening cool at shrines, offering a rare chance to experience Noh in its original outdoor setting. The effects of strategically-placed fire caskets are perfect for the other worldy atmosphere of Noh. Programmes include specially chilling ghost stories to alleviate summer heat – a Japanese tradition. The tiny pocket books, A Guide to Noh and Guide to Kyogen (available at hotel bookstores) give the plots. Very popular and usually held at weekends, see Tokyo papers for details. Book early to avoid disappointment.

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's mumbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1938 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (ends Sun, matinees Sat, Sun). (225 225).

Music

PARIS

Arto Noras, cello, Bruno Rigutto, piano: Beethoven, Bach, Brahms (Mon 7pm). Auditorium des Halles, 5 Porte Saint-Eustache.

Irina Zaritskaya, piano: One hour with Scriabin (Tue 6.30pm). Auditorium des Halles.

All these concerts are part of the Paris Festival Estival. Taped information in English round the clock (4704 9080).

LONDON

BBC Symphony Orchestra and Singers conducted by David Atherton in Dallapiccola's Il prigioniero. Also Lontano directed by Odaline de la Martinez with Peter Frankl, piano and Mark Lobotsky, violin, in Berg's Chamber Concerto. Royal Albert Hall (Mon). (589 8212).

English Chamber Orchestra conducted by Jeffrey Tate with Ralph Kirschbaum, cello. Haydn, Schumann and Strauss. Royal Albert Hall (Tue).

BBC Symphony Orchestra conducted by David Atherton with Howard Shelley, piano. Elgar, Peter Dickinson and Rachmaninov. Royal Albert Hall (Wed).

Royal Philharmonic Orchestra conducted by Yuri Temirkanov with Anne-Sophie Mutter, violin. Lyadov, Dvořák and Tchaikovsky. Royal Albert Hall (Thur).

ITALY

Verona: Arena di Verona. Concert performance of Fidelio conducted by Christian Badea. The soloists include James King, Gwyneth Jones, Siegmund Nimsgern, Hans Tschammer and Sona Ghazarian. (Mon). (2 81 51).

Pompei: (Panetenee Pompeiane): London Symphony Orchestra conducted by Lorin Maazel (Wed and Thur). (474 3718).

Continued on Page 9

Cinema/Nigel Andrews

Last night of the proms, American-style

Pretty in Pink directed by Howard Deutch
Sugarbaby directed by Percy Adlon
Chan is Missing directed by Wayne Wang

Annie Potts and Molly Ringwald in Pretty In Pink

Do you remember those heart-palpitating days when your exams were all done and you fished out your best tuxedo or ball dress to accompany your girlfriend/boyfriend to the High School prom?

If you are American, you will. If you are British, you will not know what I am talking about; unless you have seen it all in the movies. Clearly one reason for Britain's socio-cultural decline is that it lacks a generation brought up on this starry-eyed ritual. The school prom is a rite of passage. It is to American youth what circumcision is to African tribes, only pleasanter. It is also, as more and more of today's films reveal, a catalyst for class schisms we scarcely knew existed in "classless" America.

In *Pretty in Pink* we are off to the prom again. Poor girl Andie (Molly Ringwald) loves rich boy Blane (Andrew McCarthy) and they romance each other despite the sneers, tut-tuts and discouraging noises of their school friends. Andie's ugly duckling pal from the wrong side of the tracks (Jon Cryer) thinks she should stay in her income bracket and love him. Blane's best friend is a male chauvinist snob (James Spader) who fancies Andie himself but only with a view to a casual, covert fling. "Why don't you just nail her and get out of it?" he couthly advises Blane.

Will love triumph over peer pressure and social prejudice? Will Andie and Blane steal their teenhood romance and soon be ready to tumble out into the adult world?

Yes, of course — eventually. This is Hollywood. Chicago, Hollywood, to be exact, the story being set in the toddling town but entirely filmed in Los Angeles. Scriptwriter John Hughes (*The Breakfast Club*, *Weird Science*) gives us a tale that skeeters colourfully along for half its length, before an early suspicion of *déjà vu* grows into a ponderous certainty.

In early scenes sense-bombardment and simple sentiment win us over. As the soundtrack grooves out rock song after rock song, Miss Ringwald proves an appealing Cinderella with an eye-catching wardrobe. She shows that poverty and rude remarks from her classmates ("Where did you get those clothes — the five-and-dime?") are no obstacle to fulfilling the Hollywood requirement of a new outfit in each scene. Most of these are in what might be called Bag Lady Chic — flowered hat, granny glasses, explosions of old lace — but Miss R is a none-mouthed charmer who transcends sartorial disadvantage. Smart lines, smart characters and smart acting (Harry Dean Stanton a treat as Andie's Dad) also help the film spin along.

But soon neither author Hughes nor director Howard Deutch can stop the needle getting stuck in a too-familiar groove. Will-she-won't-she go to the prom, and if so will it be with Blane? Moving towards its finale, *Pretty in Pink* has too few surprises to spring when it gets there. Where *Carrie* had its *walpurgisnacht* and *Back to the Future* its fantasy trimmings, this movie has merely a routine, reach-for-your-Kleenex happy ending, seen coming from too far back in the story.

The film has nonetheless hit the box-office jackpot in America, which shows that, in a real world assailed by unhappy endings, wish-fulfilment denouements on screen have their charm. So, for non-Americans, does the reassuring proof that even that democratic Utopia — where anyone can be President, anyone can fall in love and anyone can go to the ball — has a few subversive stirrings of class warfare deep in the groves of Academe.

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Sugarbaby's star-crossed lovers could not be a greater contrast to Andie and Blane. In this sour-and-surreal romance from Germany's Percy Adlon (of *Celeste* and *The Swing*), a mountainous lady who works in a morgue (Marianne Sagebrecht) espies and ensnares a handsome young underground driver (Eisi Gulp). He, she decides, will be her "sugarbaby"—a word that tunefully assails her every day from a pop song of the same name on her gramophone.

On the voluminous double bed she prepares for him — she carries the mattress personally from the shop—she plans their romantic congress. Here they will have their bizarre honeymoon (at least until the driver's wife gets back from a trip). Here too they will be raked by the lollipop colour filters of Johanna Heer's astonishing lighting. Heer is the Austrian-born lens sorceress who lit *Subway Riders* with similar rioting pastels, and clearly went to school at the R. W. Fassbinder Seminary for Young Camerapersons.

The movie's first half is its best. Fraulein Sagebrecht, stomping through labyrinths of the U-Bahn, breaking into locked offices and scanning forbidden ledgers, unravels the Kafka-esque mysteries of underground train-driving rotas; all this to track her casually glimpsed prey, known only as "Huber 133." Once pinpointed, he is open to her attack. She perms her hitherto unsightly hair. She dons a dress in low-cut shiny puce (revealing a cleavage comparable to the Grand Canyon). And she waits for Herr Right by a chocolate-bar dispenser on the platform.

Once hero and heroine have met and consummated their high-volt collision, the film has nowhere quite so electrifying (or funny) to go. We languish in the bedroom and are treated to much mutual soul-pouring amid a sea of duvet. Diving into their respective pasts, they dredge forth all the memories and hang-ups that caused a young man and an earth mother to fall in love with each other.

Only Adlon's *Celeste*-style fascination with passing rituals —the daily foam bath, the daily cocktail, the daily lovers' tiff— keep the tension going. That and the hypnotic flux of Miss Heer's ever-panning camera, which ebbs and flows across the faces, two luminous buoys picked out in a warmly lyrical ocean of filtered colours.

*

"Yes, we have Won Ton soup, but spelt backwards. Not now." *Chan is Missing* should be subtitled "Alice in Chinatown." Chop logic, non-sequiturs, puns, narrative ellipses and a marvellous deadpan lunacy punctuate this tale of a Chinese-American cabbie and his son investigating foul play in San Francisco.

"Chan" is missing. But we never quite discover who Chan is (except that he is no relation to Charlie) or why he is missing. Instead we are bustled through a bewitching cross-cultural collage of big-city immigrant life thinly disguised as a mystery thriller.

Writer-director Wayne Wang — the very name suggests a smash-up between East and West—clearly relishes the possibilities for semantic farce in an immigrant setting. And musical farce. A movie that starts off with "Rock Around the Clock" in Chinese (over the credits), takes in such hits as "Fry me to the Moon" (sung by the cook in a Chinese restaurant kitchen) and ends with a kaleidoscopic cut-up sequence set to "Grant Avenue," sets toes tapping and funnybones tingling in equal measure.

But as well as wackiness, there is wisdom. This was Wang's debut movie, made before the recently seen *Dim Sum*, and already he shows a flair consummated in that film for stretching domestic details or family tiffs into a pixillated poetry of the everyday.

The Gentle Shepherd/Edinburgh Festival

Michael Coveney

Allan Ramsay's *The Gentle Shepherd* (1725) is one of the finest examples of Scots pastoral poetry and, after the success of *The Beggar's Opera* in 1728, was promptly transformed into a ballad opera. It is given in this form, with Cedric Thorpe Davie's 1949 Festival song settings, by students of the Royal Scottish Academy of Music and Drama in the Signet Library.

The library has proved an unhappy venue for this Festival. Its acoustic is poor, its rarefied, rather laundered neo-classical properties unsuited to theatrical performance. The atmosphere of genteel piety has been destructively contagious in respect of both *Douglas* and now *The Gentle Shepherd*. Only a reading of Ramsay's poem conveys its simple bucolic charm. The Academy's production by Toby McLauchlin, with musical direction by John Langdon, is simply dreadful. With a bizarre, dislocating inappropriateness, the lines are spoken by one group of performers, the songs sung by another.

In the Festival's *Golden Age of Scottish Painting* exhibition you can see some of David Allan's delightful illustrations of the poem which give a fair idea of Ramsay's earthiness, high spirits and even the colloquial inventiveness that so recommended him to Burns and all Scots poets since.

In the Signet Library, the lovelorn shepherds, their respective linen-washing amours, the country bumpkin, the supposed witch, the returning laird, hero of the Montrose campaign in the last days of Cromwell's protectorate — all these belong less to Ramsay's poem than to the arch procession of porcelain figures in *The Douglas*. The whole point about Ramsay has been lost, buried beneath a pall of cultural reverence.

The swains, Patie and Roger, and a milkmaid turn out to be of higher birth than they knew. Patie the land-reared boy of the Pentland Hills where, a few miles from Edinburgh, the action is set during the course of one day. There is no grit or incident to compare with Gay's model, but Ramsay's robust and often enchantingly rhythmic pastoral verse justifies the claims often made for the piece as one of the best ballad operas, that peculiar and intriguing British invention which flourished for 10 years until Walpole's licensing act of 1737.

Chiaroscuro/St Paul's, Knightsbridge

Richard Fairman

The Proms programme seems to delight in embracing extremes. After Strauss' gargantuan *Alpine Symphony* at the Albert Hall, the late night concert on Wednesday moved to St Paul's Church in Knightsbridge for a selection of modest choral pieces from the 17th century. With the very minimum number of performers being employed, the contrast could hardly have been greater.

A vocal ensemble of six members can suffice for Carissimi's *Jephte*. Written before 1650, this early oratorio is brief and concise, its three scenes deftly sketching in many different feelings. The chorus "Et ululantes filii" creates a powerful mood of lamentation in two lines. The last solo for Jephthah's daughter, as she contemplates death in the mountains, uses merely a vocal line and continuo to build up a moving final scene that is a veritable operatic *scena*.

In this the soprano Patrizia Kwella sang with a lovely purity of tone, though she might have been more dramatic, given the strong emotions of the music. Solo organ made an effective continuo. The chorus which follows is written in six parts, identical in distribution to the solo roles of the oratorio. There is clearly an argument to restrict the choral group to the same number and that is what the ensemble Chiaroscuro did here.

The same performers were then used for two Odes by Purcell. The choral and orchestral sections of these pieces were taken one to a part by the six singers of Chiaroscuro and the seven players of London Baroque. There is, perhaps, less justification for paring down the forces here, as the score for *Welcome to all the pleasures* seems to presume a contrast between solo and choral groups, but some reward comes with the extra freedom of expression and clarity.

Each of the solos offered strong singing, especially from the bass David Thomas. (How marvellously vivid Purcell's writing for the voice is.) But heard together, as they were in three unaccompanied madrigals by Scarlatti, the singers did not always blend ideally, the rather strained tenor of Nigel Rogers and Thomas' dark bass not mixing well. The members of Chiaroscuro are—audibly—distinguished soloists in their own right.

US master of movement

The best new ballets I have seen in the last two or three years have been the work of choreographers not from the ranks of the ballet companies themselves but from the field of contemporary or "post-modern" dance.

Among these I would name Merce Cunningham's *Un Jour ou deux* for the Paris Opéra and *Arcade* for the Pennsylvania Ballet; Twyla Tharp's *Bach Partita* for American Ballet Theatre and *Brahms/Handel*, her collaboration with Jerome Robbins for New York City Ballet; David Gordon's *Field, Chair and Mountain*, also for ABT; and Richard Alston's *Midsummer* for the Royal Ballet. All these ballets explore and extend the classic vocabulary—they do not propose a hybrid of ballet and modern-dance idioms.

To this short list I would now add *Mort subite*, a ballet by Mark Morris to the Poulenc organ concerto, presented by the Boston Ballet in February and shown recently at the enterprising Pepsico Summerfare festival at the State University of New York's suburban campus at Purchase, New York.

Lois Greenfield

Mark Morris

Morris's situation in the American dance scene is roughly similar to that of Michael Clark in the British—he is a young dancer of prodigious gifts and a decidedly contemporary persona, who has recently shown an equal talent for choreography. Superficially, his subject-matter sometimes seems designed to shock, but underneath this the work shows the serious concern for dance structure of a real choreographer.

As the title suggests, *Mort subite* deals with a very large subject, though in abstract terms. The piece is for 16 dancers, with a core group of (at first) four men, each of whom is replaced, one by one, by a woman; at the end one of the women is in turn replaced by a man.

This scheme, with its constantly changing series of relationships (from four men to three men and one woman, to two couples, and so on), may be seen as a metaphor for the life-cycle itself. In some of his earlier work, Morris has not gone much beyond literal music visualisation, but in *Mort subite* he has built a structure of his own on the foundation of Poulenc's concerto.

Not only is Morris a thorough formalist; movement is his natural, instinctive form of expression. He is full of ideas, and he makes dances all the time. Last winter the Mark Morris Dance Group performed for three weeks at Dance Theatre Workshop in New York, giving two different programmes, 13 works in all, ranging from the pure and rigorous geometry of *Frisson* (to Stravinsky's Symphonies of Wind Instruments) to the savage examination of human relationships of *Lovey* (to songs by the Violent Femmes), and the macabre duet *One Charming Night*, danced by Morris himself as a vampire and Teri Weksler as his willing victim (to music of Purcell, no less).

A few weeks later the group appeared in Boston, dancing an evening-length triptych entitled *Mythologies*, inspired by the essays of Roland Barthes and commissioned by the (Boston) Dance Umbrella. A couple of weeks ago they were at another summer festival, that originated by Ted Shawn at Jacob's Pillow in Massachusetts. There the programme included new works to Schubert's *The Shepherd on the Rock* (his choreography for this sublime piece did not convince me that it needs the addition of dancing) and to the ballet music from *Aida*, a hilarious spoof that gave the music exactly what it deserves.

As will be seen, Morris's choice of music is nothing if not electric—other works in this concert were danced to the *Gloria* of Vivaldi and to songs by Yoko Ono. All of them have in common an impressive grasp of musical structure, and a seemingly inexhaustible invention of movement.

Not surprisingly, Morris is in demand. Next season he will choreograph a work for the Joffrey Ballet, to a C. P. E. Bach cello concerto, and another for his own group to the Pergolesi Stabat Mater, to be seen at the Brooklyn Academy of Music's Next Wave Festival. The Paris Opéra Ballet has also announced a *création* by Morris, without apparently informing him of the commission.

The pressure to succeed at this stage of his career could be damaging, and Morris has shown enough confidence in himself to move away from New York, back to his home town of Seattle, where the lively arts flourish but in a more relaxed atmosphere. There he teaches and makes work between concerts and commissions in other cities. At a time when choreographic talent is in short supply, Morris's emergence, and increasing mastery, are heartening indeed.

David Vaughan

A Funny Thing Happened on the Way to the Forum/Chichester

Martin Hoyle

Alastair Muir

Frankie Howerd and Elizabeth Elvin

Larry Gelbart, one of the authors, has come to the Chichester Festival to direct this 1962 show with Stephen Sondheim's music and lyrics. For once the critic cannot blame a limping pace and mirthless earnestness on the lack of British know-how in musicals. The director presumably knew what he wanted, but evidently failed to convey it to his cast.

Co-written with the late Burt Shevelove, the story is an amalgam of themes from Plautus's comedies. Characters include the manipulating servant, the old lecher and the braggart soldier. The plot defies description but hinges on the pursuit of an over-innocent dumb blond by a father and son and the vainglorious warrior who has bought her from a brothel keeper. The denouement concerns the recognition of the soldier and the virgin as brother and sister kidnapped by pirates years before.

The best known song is the prologue "A Comedy Tonight" sung by the irrepressible schemer, the slave Pseudolus. An attractive echo duet where the innocent asks advice of the gods and is answered by her young lover in hiding, and a sonorous funeral march for the supposedly dead girl (in fact the long-suffering household steward in blonde wig) approach the conventional idea of hit numbers. Otherwise, the score is lightweight Sondheim, and for those sceptics who refuse him the combined accolade of Mozart and Da Ponte, Gilbert and Sullivan, Rodgers and Hammerstein, all the more welcome for its lack of pretentiousness.

The show reached London in 1963, with Frankie Howerd as Pseudolus. Twenty-three years later Mr Howerd is again leering, coaxing, widening his eyes in mock innocence and shrugging haughtily as he takes the audience into his confidence. Later in the run he may recover that inimitable mixture of the cherubic and the depraved gossiping housewife and debauched Roman emperor.

The first night found him so mechanical as to make one wonder whether he was indisposed. He shambled joylessly through much of the action as if his mind were elsewhere. Forty minutes in he flickered into life, and sporadically regaled us with those slow facial changes from blankness to outrage to wicked relish. Uncertainty as to words may have hindered him. And the director is to blame for the farcical climax — characters rushing shrieking on and off, in and out, in pursuit of cross-purposes—being lumbering, contrived and flat. Here Mr Howerd, defeated, gave up and just went through the motions.

On this showing the production's comic talent lies with Ronnie Stevens as the harassed put upon head slave; and, a new name to me, Fred Evans, as the brothel keeper, angular and cringing, an almost Dickensian character. The girls are stunners. The juvenile lead is hampered by a romantic number, "Love, I Hear" which is the ultimate in meandering tunlessness; but Lydia Watson's virgin has a nice line in gormless archness. Patrick Cargill's naughty old man struggles to inject life into his scenes; Meriel Dickinson, as his wife, reminds us of her operatic gifts, here thrown away. The amplified invisible band adds to the impression that much of the score is Muzak, a background for brilliant comic caperings which, on the first night at least, failed to materialise.

Arts Week

Continued from Page 8

NETHERLANDS

Amsterdam, Concertgebouw. The Amsterdam Bach Soloists, with Jard van Nes, contralto, and Leo van Doeselaar, organ. Bach (Tue). (71 83 45).

Amsterdam, Westerkerk. Hans van Nieuwkoop, organ. Bach, Mendelssohn, Brahms (Mon). (24 77 66).

Amsterdam, Oude Kerk. Organ recitals by Charles de Wolf (Tue) and Burger van Mazijk (Wed).

SPAIN

Madrid, El Escorial: Jose Miguel Moreno, lute/guitar, and Mosaiques Quartet. Boccherini, Haydn, Kohaut (Tue); Sigiswald Kuijken, François Fernandez (violinists), Marleen Thiers (viola), Wieland Kuijken (cello): Mozart and Haydn (Wed); Christophe Coin (cellist), Patrick Coen (fortepiano), Eric Hogarth (violin): Beethoven (Thur). Real Coliseo Carlos III, Floridablanca 18. El Escorial (890 4411).

Santander, Norddeutscher Rundfunk (NDR) of Hamburg; Monday with violinist Uto Ughi, Brahms, Strauss and Stravinsky; Tuesday, Verdi's Requiem; Thursday, Mahler 5. Plaza Porticada.

VIENNA

London Baroque Orchestra. Corelli, Vivaldi, Handel, Arne, Mozart. Schonbrunn Palace (Wed).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Mendelssohn String Quartet with Rudolf Firkusny piano. All-Mendelssohn programme (Mon): Festival Orchestra. Gerard Schwarz conducting. Eugene Istomin piano, Arleen Auger soprano. Schubert, Mozart (Tue, Wed); Kalichstein-Laredo-Robinson Trio with Michael Tree viola, Caroline Levine viola and Julius Levine doublebass. Mozart, Mendelssohn, Schubert (Thur). Lincoln Center (874 2424).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances by Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Kennedy Center. Ends Aug 27.

Opera and Ballet

PARIS

J. Perl: Eurydice by the Jean-Marie Leher company conducted by Beatrice Berstel. Choreography by Wolkenhuyzen (Tue 9pm). Auditorium des Halles, 5 Porte Saint-Eustache (4764 9080).

ITALY

Lucca: (XIth Festival of Marlia and Lucca), Teatro del Giglio: Don Giovanni conducted by Herbert Handt with Paolo Coni, Graziano Polidori, Anne Marie Smith, Svetland Haltunnen and Valeria Esposito, directed by Beppe Menegatti (Production in collaboration with the British Council). (48 280).

Pesaro: Teatro Rossini: Il Turco in Italia conducted by Rico Saccani and directed by Emmanuele Luzzati, with a cast which includes Ruggero Raimondi, Lucia Aliberti, Enzo Dara and Edoardo Giminez. (3 31 84).

Verona: Arena di Verona: Revival of the 1913 production of Aida, conducted by Daniel Oren, with Gwyneth Jones, Nunzio Todisco and Bruna Baglioni; Un Ballo in Maschera conducted by Gustav Kuhn (recently appointed musical director of the Rome Opera) with Maria Chiara, Luis Lima and Silvano Carroli: one of the best productions of this year's Arena season (28 151).

VIENNA

Volksoper: Die Fledermaus and Die Zauberflöte.

NEW YORK

New York City Opera (NY State Theatre): The week features the new productions of Don Quichotte, conducted by Mario Bernardi and directed by John Copley, and Werther, conducted by Sergiu Comissiona in Lofti Mansouri's production, along with Cendrillon, Die Fledermaus and Madama Butterfly. Lincoln Center (870 5600).

Out-of-Towners Series (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Henien Dannenberg from San Francisco in Solo with Figures (and other works). (Thur). 19th St. W. of 7th Av. (924 0077).

Summer Stage (Central Park): Free new dance series. Kathy Duncan, Donald Byrd/The Group (Wed); Urban Bush Women, Frey Faust with music by Pat Cahill (Thur). Bandshell at 72nd St. 6 pm. (397 3156).

CHICAGO

Ravinia Festival of American Dance. A fortnight dance festival features the San Francisco Ballet with a mixed programme including a William Forsythe premiere, and the Twyla Tharp Company in a mixed programme including a work choreographed to a Philip Glass score. Ends Au 31. Highland Park. (728 4642).

TOKYO

Bill T. Jones and Arnie Agne and Company (avant-garde): Pooh Kaye and Eccentric Motions. Part of the Tokyo 2nd American Dance Festival. Theatre Apple, Shinjuku (207 5586).

Robert Lloyd out of Glyndebourne Prom

Robert Lloyd has had to withdraw from Glyndebourne Festival Opera's Prom performance of Simon Boccanegra at the Albert Hall on Sunday, August 17. Geoffrey Moses will now sing the role of Fiesco, with Alastair Miles taking the part of Pietro in place of Geoffrey Moses.

Hungary exhibition

The venue of the Hungarian turn of the century exhibition reviewed on this page yesterday is the National Gallery, Budapest. The exhibition runs until September 1.

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Friday August 15 1986

Mr Bangemann begs to differ

G. K. CHESTERTON, the English aphorist, once complained, "It's not that they can't see the solution, it's that they can't see the problem." Mr James Baker, the US Treasury Secretary, must be tempted to lay the same charge against West Germany's ultra-cautious economic policymakers. Yesterday Mr Martin Bangemann, the Economics Minister, again rejected calls for a cut in the West German discount rate, arguing that there was no domestic justification for cheaper money.

Mr Bangemann's focus on internal factors seems likely to cause further irritation in Washington. West Germany is not being accused so much of mismanaging its domestic economy as of declining to accept its international responsibilities. Between 1980 and 1985, West Germany rode on the back of the world economy: net exports accounted for almost all of its gross national product growth. During this period the US provided the motive force that made global recovery possible; the price it paid for growing faster than everybody else was a yawning current account deficit which this year is likely to exceed $130bn.

The US, quite obviously, is no longer in a position to provide a net stimulus to the world economy. It seems improbable that dollar depreciation, massive though it has been, will be sufficient to close the US external deficit. Everybody is agreed that a further sharp dollar depreciation would be destabilising. But if it is to be avoided, one of two things must happen: either the rest of the world must grow faster than the US for a prolonged period or the US must endure a recession to choke off its demand for imports. It seems absurd to make the US deflate when growth elsewhere has been below potential for half a decade, and when inflation is close to zero.

False modesty

Why is West Germany reluctant to contemplate a stimulus? Real interest rates have actually risen this year in Frankfurt, inflation has been negative, the D-Mark has appreciated wildly, the budget is structurally in surplus and the current account is heading for a $30bn surplus. Commentators outside the country are genuinely puzzled: what would have to happen to persuade Mr Bangemann to risk a half-point cut in the discount rate?

The West Germans have not lacked ingenuity in thinking up justifications for fiddling while the world economy burns. Count Otto Lambsdorff, the former Economics Minister, deserves a prize for suggesting that West Germany is "simply too small" to make a significant contribution towards solving international financial problems. This is an extraordinary case of false modesty. West Germany is the pivotal economy within the EEC and the EEC is the largest trading bloc in the world. By putting Europe on a faster growth path, Mr Bangemann could improve the prospects of US American farmers, Latin American steelworkers and Japanese fishermen.

Tax reform

The most popular argument for inaction in Bonn, however, is that the cyclical timing for a stimulus is all wrong. The Americans are asking for reflation just when, after years of torpor, domestic demand is growing quite fast, and before the effects of cheaper oil have worked their way through. The obvious reply to this is, first, that West Germany has an awful lot of catching up to do — in real terms domestic demand at the start of 1986 was marginally lower than in 1980; and, second, that there is no guarantee that the pick-up in the second quarter will be sustained into 1987 and beyond.

This matters because the strains imposed by the US's huge imbalances require medium-term solutions. A temporary blip in West German growth will not be sufficient. What is needed, on top of the overdue interest-rate cuts, are measures to speed up growth in the long haul. The only substitute for a cyclical stimulus is a structural stimulus. As the OECD has pointed out, there is plenty of scope for deregulation: progress on privatisation has been glacial; 6.6 per cent of GDP is siphoned off in industrial subsidies; and many sectors, from telecommunications to transport and financial services, suffer from restrictive practices. There is also a strong case both for large net tax cuts and for far-reaching tax reform.

The climbdown at Cheltenham

RARELY HAS the Thatcher Government looked less surefooted than it has over what has become known as the GCHQ affair. The hope must be that the latest climbdown by ministers in their efforts to ban trade unions at Government Communications Headquarters, the supposedly secret signals and intelligence monitoring network based in Cheltenham, betokens a decision to put the issue on the back burner, on to a very low flame indeed.

Sir Robert Armstrong, the Cabinet Secretary, has agreed to a review of the severe financial penalties imposed on GCHQ staff who rejoined unions after the ban and has given an assurance, in so many words, of no further action against them before the next general election. This follows an earlier about-face, in March, when the Government lifted the dismissal threat hanging over staff who never quit their unions in the first place.

If for no other reason, the fact that most people now know what GCHQ stands for, and what it does, shows how the ban has backfired on ministers who seemed sublimely unaware of the likely consequences of their original move in 1984. Secrecy was, after all, one of the reasons given for the ban: the official notice to staff said the work at GCHQ should be "freed as far as possible from the dangers of its operation being discussed publicly." The action can be seen as an utter failure in the light of the widespread publicity given during the past two and a half years to the Cheltenham base and its listening posts in Britain and overseas.

Principal objectives

Nor have we heard the last of the affair. Ministers have waded too deeply in the mire to effect a furtive escape. For one thing, there is the matter of the 50 or so trade union members at GCHQ who—denied promotion and foreign postings and out of pocket by as much as £4,000 a year—are determined to carry on kicking up as much stink as they can.

Over and above this, there is outstanding a reference by the unions to the European Commission on Human Rights on the validity of the ban, and the certainty of the ban being an issue at the general election—all main opposition parties having said they would remove it.

On the credit side, the Government can rightly claim to have achieved its principal objective of ending the threat of disruption of GCHQ by trade union action. This will be a lasting gain, whether or not union recognition is restored. Even under a Labour government, the unions will be in no position to withdraw their standing offers of no disruption, agreed restrictions on unions officials' access to GCHQ and in-camera industrial tribunal hearings for staff.

Fitting paradox

Whether the Government could have achieved these concessions without imposing a union ban, without consultation, remains open to question. The timing of the ban is another unresolved question. There is still no satisfactory explanation of why it took three years to enact after the allegedly intolerable disruption caused by industrial action at GCHQ in 1981. Suspicion lingers of US pressure for some kind of crackdown at GCHQ in the wake of the Geoffrey Prime spy episode.

One other issue thrown up by the GCHQ affair warrants comment: at the time of the announcement of the ban, it was said that the Government's peremptory move had killed the so-called new realism in the union movement and had cut the ground from under the feet of Mr Len Murray, then TUC general secretary, who had been trying to rehabilitate tripartite links among unions, government and industry.

In retrospect, this looks to have been a hasty judgment. With the salutary lesson of the miners' strike to hand, leading union strategists have salvaged new realism from the GCHQ wreckage and dressed it in a fresh suit of clothes. What is more, the Government's retreat over GCHQ can be attributed as much as anything else to the threat of sympathetic strikes by none other than the power workers, the archetypal new realists. In many ways, a fitting paradox.

ADVANCED COMPOSITES

A game for big players

By Tony Jackson

THEY ARE used to make jet fighters and space shuttles, and may soon be used to make motor cars. They have a $400m world market growing at 25 per cent a year. They are known as advanced composites—not a glamorous title, but one of the most alluring growth prospects for the chemical industry worldwide.

They also offer a sad instance of British invention being exploited overseas. ICI missed the chance to participate in 1970, then paid $750m for access to the US market in 1984. In the US, in turn, the Pentagon has recently expressed public concern about the grip on supply exercised by Japan.

Advanced composites can be made out of any number of ingredients, but are best thought of as a fancy version of fibre glass. The principle is one of binding fibres together with plastic, producing a material which is very strong and stiff and also very light.

The fibre most commonly used in carbon fibre. This remarkable material was first developed 20 years ago by the Royal Aeronautical Establishment at Farnborough, working in conjunction with Rolls-Royce.

Rolls-Royce failed — expensively — to make aero engine parts out of the new material, and offered it to ICI, which duly considered it in committee in 1970 and turned it down.

"We don't necessarily regret that," says an ICI executive defensively. "The development costs would have been enormous, and the market wasn't there yet."

The idea was, however, taken up by one British firm, the fibre manufacturer Courtaulds. As a major producer of acrylic (for the textile and clothing industries) Courtaulds had in theory a number of commercial and technical advantages. What it lacked was a substantial market for a product which in those days cost $1,000 a pound (it now averages under $50).

Across the Atlantic the view was different. In 1969, Courtaulds' technology was licensed by the US chemical company Hercules. As the leading US producer of advanced composites, Hercules could see all kinds of uses for carbon fibre in missile cases and rockets, and would see in the Pentagon a customer for whom cost was much less important than performance.

By the time the licence expired in 1979 Hercules had outgrown Courtaulds as a producer, and was ready to go it alone. For its supply of acrylic it turned to Japan, signing up a joint venture with the big acrylic producer Sumitomo. By this time, Japan was already well on the way to replacing the US as the leading producer of carbon fibre.

"One snag about producing acrylic for carbon fibre," says a British executive, "is that only a tiny proportion of output is of a high enough standard to use. That is the basis of Japan's present dominance in carbon fibre technology. Everything depends on how well the fibre is spun, and if you're a Japanese manufacturer the 99 per cent that isn't good enough can be turned into shirts in Hong Kong."

The Japanese now have some 80 per cent of the world market for carbon fibre (worth up to $200m, and growing fast). Hercules is the biggest non-Japanese producer, and Courtaulds, now working through a joint venture with the US adhesive producer Dexter Hysol, brings up the rear as the biggest in Europe.

But if supply is in Japan, the market is elsewhere. In broad terms, 80 per cent of the world market for advanced composites is in aerospace, 80 per cent of that is in the US, and in turn, 75 per cent of that is military. In other words, about half of the total market is accounted for by the Pentagon.

The Pentagon is correspondingly worried about the fact that the Japanese have an almost complete monopoly in the acrylic precursor used to make carbon fibre. Earlier this year, it issued instructions that the US industry should produce two-thirds of its precursor requirements within three years. Hercules is planning a precursor plant accordingly, as is BASF of Germany (the BASF plant, in Virginia, will cost $20m).

BASF made its major entry into the US market last year with its $135m purchase of the composites business of Celanese, including Narmco, one of the big US pre-preggers (this process is described in the accompanying article). For BASF, this was second best; it had been outbid, late in 1984, in its attempt to buy Beatrice Chemical, which ICI carried off for $750m.

Beatrice was a rag-bag of businesses, many of which neither ICI nor BASF wanted, but it did have one jewel—Fiberite, much the biggest prepregger in the world.

It might be thought that $750m is pretty steep for one small company. But Fiberite had a major asset—the necessary qualifications and security clearance for Pentagon work. And, the big chemical companies agree, there are some colossal Pentagon contracts up for grabs.

Mr Mike Bowman, head of advanced composites at the US chemical group Du Pont, says: "Ten years out, the mission of the military is a different kind of flexible warfare, in planes, helicopters, tanks, everything. An advanced tactical fighter could be 50 to 60 per cent composite, and for aerospace the window of change is now. It'll be shut tight in the next two or three years for the next 20—and that applies to Europe as well as the US."

Hercules goes further. "There will be decisions made on military aircraft within the next year. The European Fighter project is in a material selection step right now."

Mr Bowman ticks off the projects in the US. "The Advanced Tactical Fighter for the airforce, and a version of that for the Navy a couple of years later. Missiles — almost anything is a carbon fibre opportunity. Helicopters — the LHX, the army's all-composite lightweight to replace the Black Hawk.

"On land, the Hummer series of vehicles — very light, high-speed troop and weapon carriers. The whole space industry — space stations, Star Wars and so on. Ships — high-speed patrol boats with above-water ballistic protection, usually composites. That all adds up to $500bn, hanging on the two principles of very advanced electronics and light weight. It's all available in the mid-1990s, and that's what everyone's positioning to take advantage of."

For compaines like ICI and Du Pont, this means a significant move into the largely unfamiliar territory of defence.

For ICI, there may be a snag. There are persistent rumours in the composites industry that the Pentagon is unhappy about European take-overs of strategic companies. Nothing has been said publicly, however.

In any case, there are longer-term strategic objectives. The military may be the main customer now, but the next market is civil aircraft, and beyond that engineering and structural applications in general. Some day, advanced composites will start to penetrate the high-volume car market, though this is still largely the domain of simpler composites such as fibre glass.

The shift to civil aircraft use is already under way.

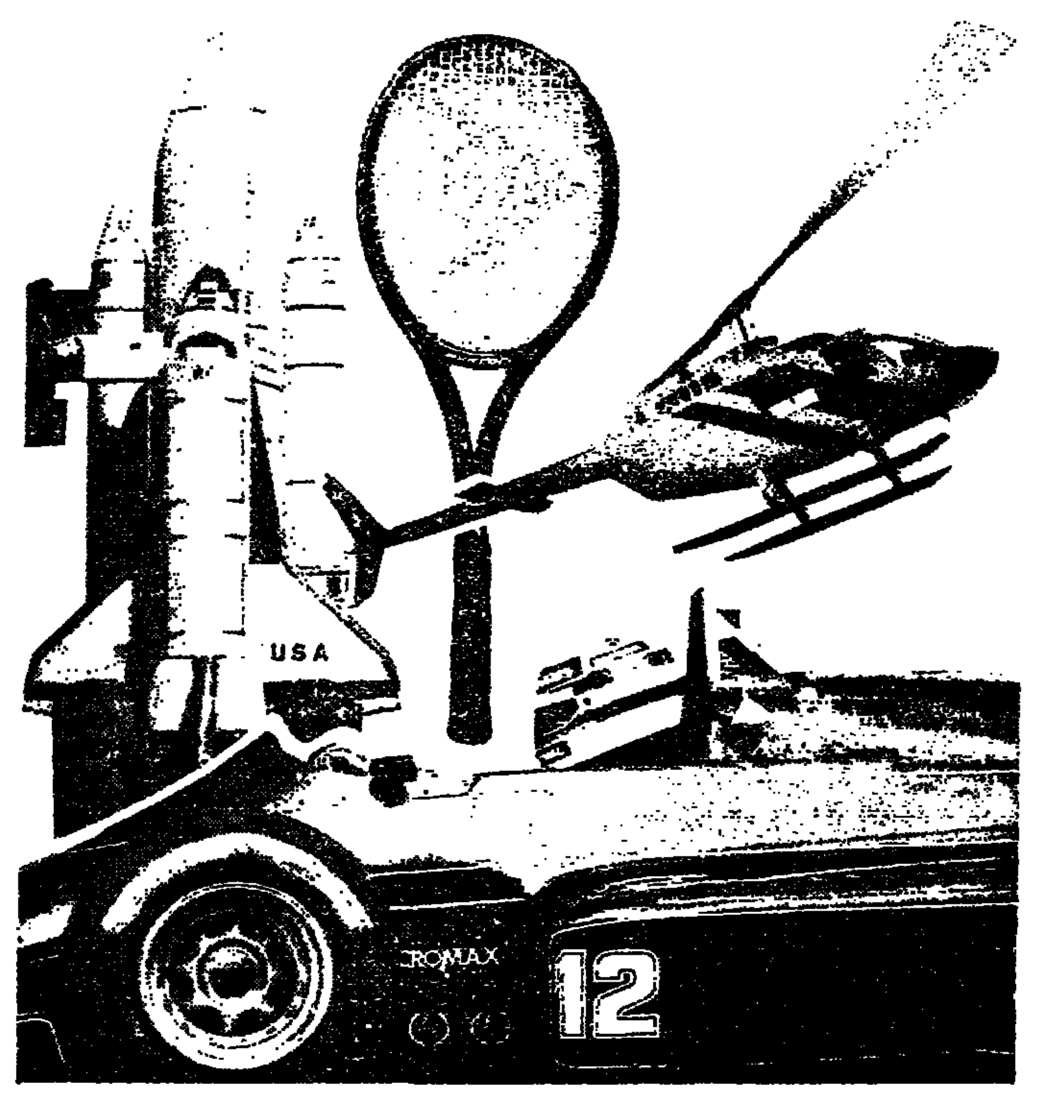
There are, however, two major constraints on aircraft makers: the ability to work with the new materials, and the cost of capital investment needed to employ them.

A chemical executive says: "The engineer who builds the plane wants the same certainty on properties as he had with steel or aluminium. But with composites, the properties change depending on how the part is made.

Then again, investment in new plant could be hideously expensive. One big oil company which is also in chemicals says: "Some aircraft manufacturers say composites could make up only 25 per cent of a plane, because the cost of making things like wings would be beyond them. That's where we could have a gleam in our eye, since one of the big assets of an oil company is cash."

The natural answer to problems both of technology and cash seems to be joint ventures. Mr Bowman of Du Pont says: "Alliances between the big manufacturers is the way things will go. It has to happen with both the aerospace and automotive industries."

In Britain, the British Plastics Federation has just set up an Advanced Composites Group to lobby on behalf of the UK composites industry, and in particular to alert the Government to the importance of a growth industry which is seen as slipping out of Britain's hands. But perhaps this can only be a game for a handful of big players around the world, with the big British manufacturers represented already. As one US executive puts it: "Not too many small guys will survive."



Chemicals developing frontier: embracing defence, transport and leisure

THE THREE BASIC STEPS . . .

MAKING a composite structure, such as a helicopter rotor blade, takes three steps. First is the manufacture of (a) the fibre and (b) the resin, almost always by separate manufacturers. Then these raw materials are brought together by a specialist called a pre-pegger (see below). Then the prepregs are moulded and cured into rotor blades by the helicopter manufacturer.

● THE FIBRE. The most important fibre in composites is carbon fibre. This is made from fibres of polyacrylonitrile, known to the garment trade as acrylic. The fibres are oxidised, then carbonised in a furnace, then subjected to a surface finishing process.

The resulting fibre is 98 per cent pure carbon, and about a third of the thickness of human hair. It withstands pressures of a million pounds per square inch.

Polyacrylonitrile is used because of its very high carbon content, making for less shrinkage in the carbonising process. Even better, scientists say, would be a substance called polyparaphenylene, which nobody has yet managed to make.

Besides carbon fibre, other types in common use are high grade glass fibre and aramid fibre (made under the Kevlar brand name by Du Pont of the US).

● THE RESIN. The resins used in composites are thermosets, which, unlike thermoplastics, set permanently when fabricated and will not melt back. Much the commonest are epoxy resins. Like superglue, they are made from two components, mixed before heating. The biggest producer of epoxy resins for composite manufacture is probably Ciba Geigy of Switzerland.

An important next step will be the use of new high-performance thermoplastics instead of thermosets. The technology is still in its early stages, the leaders being ICI, Phillips Petroleum, Amoco and General Electric of the US.

● PRE-PREGGING (Short for pre-impregnation). This is the process of bringing the resin and fibre together in an intermediate form which can be stored before use. The result is a sticky, syrupy tape which is interleaved with polythene and kept refrigerated.

The fibres in the tape are either laid out in one direction or woven like a textile. Woven composites are typically less strong, but easier to work with.

Pre-pregging is not the only method of preparing composites, but is the commonest.

● FINISHED PARTS. To form the finished part, the pre-preg is draped over a mould, then heated. The process, known as curing, takes place in a high-pressure vessel called an autoclave. Typically 40-50 feet long and 18 feet in diameter, autoclaves cost around $150m apiece. The curing process, which is very energy-intensive, can take as little as eight hours and as much as 18 days.

As a rule of thumb, the value of a pre-preg is twice that of its raw materials, and the value of a finished part ten times that of the prepreg.

Men and Matters

Cunard and the Sea Goddess

Casting a weather eye over the rival fleets when he took command of Cunard's cruise ships some five months ago, Alan Kennedy decided that if there were two other ships he would like in his operations, they were Norske Cruise's Sea Goddess I and II.

In New York, 14 days ago, former naval commander and Thomas Cook chief executive, Kennedy, 51, head that Norske was being threatened by the ships' builders with repossession of the vessels.

The Norwegian company's operations had been hit by the effects of terrorism in the Mediterranean.

Five days later, he was outlining a deal to Norske, which was also considering two other bids.

Last Thursday, Kennedy approached Midland Bank with his proposals. Then he flew to Monte Carlo to inspect one of the ships (the other is off Alaska); returned to Devon for talks with Eric Parker, chief executive of Trafalgar House, Cunard's parent; and then spent three more hectic days and nights putting the deal together.

On Wednesday—Norske's repossession deadline—Kennedy completed the arrangement under which Midland will provide a $50m re-financing package for Norske and Cunard will charter the two ships for the next 12 years.

Cautious Trafalgar House executives made a couple of radio calls to ensure the ships were still afloat before signing.

With these two vessels, Cunard will now have five deluxe cruise ships. The others are the QE2, due for a £90m engine refit in October, and the Sagafjord and Vistafjord, acquired in 1984 from Norwegian American.

It was Cunard's handling of those two Norwegian vessels that had impressed the Norske board, Helge Naarstad, managing director, said yesterday.

One of the two Norske vessels has already been chartered by Westpac Bank for a multi-million dollar fee to cover a 4½-month period centred on the America's Cup races this winter.

And with business recovering from the effects of terrorism, Kennedy says the prospects look promising.

The Norwegian vessels had already gained a faithful clientele. One Englishwoman living in the US had made 12 cruises on one of them.

A bleary-eyed Kennedy announced that he is also going on holiday this weekend. But no cruise for him. "I'm going to a villa in Spain and taking the phone off the hook," he says.

Lloyd's Left

The state of the Left in British politics is illustrated by the poor shape of its intellectual flagship, the weekly magazine New Statesman.

Circulation is down to 27,000 (from a peak of nearly 100,000), it makes a large monthly financial loss, the prestige of its name has declined, and it exasperates many of its still-faithful readers.

Those strictures are not the result of deep research on my part. They are listed with engaging honesty by the New Statesman's new editor, John Lloyd (an FT man until recently) in his first leading article.

"Much more of this," Lloyd reflects in print, "and in a few years' time its just-appointed editor will be its last."

Having spelt out the ramshackle state of the property he has taken over, Lloyd is making clear from his first issue that he has no intention of being remembered as the New Statesman's last editor.

In his first week he has given the magazine a cleaner, sharper look, and the content more authority. An interview with Tony Benn, the darling young man of the Left who is now 61, finds Benn "still preparing for power." Lloyd reports, "Tony Benn expects to ride to power on a new wave of radicalism."

With delightful imagery Benn says he sees a "resurgent Left" in British politics which he likens to "an unnoticed elephant in Piccadilly Circus."

The old New Statesman might have cheerfully swallowed that and sent its readers out to look at the elephant. The new New Statesman is more cautious and thoughtful, commenting "The hard Left will have problems regaining anything like the dominance it had in the heady years between 1979 and 1981. It is sectarian, suspicious, and small . . ."

Share cropper

Roy Davies, once favourite to be managing director of Inchcape, has emerged as the man at the helm of RCR International, the little known company which has built a 26 per cent stake in the troubled S. W. Farmer engineering group, whose shares were suspended on Tuesday.

RCR is a private company with interests in aviation, car leasing and engineering. It took the Farmer stake in March amid rumours of a takeover. Davies refuses to comment at present on RCR's plans. But Farmer's chairman, John Briggs, an experienced "company doctor," is expected to make an announcement on the company's future today.

Davies was widely expected to take the top job at Inchcape three years ago but he resigned in January 1984 after a disagreement with chairman, Sir David Orr. "It's the sort of thing that happens in the best regulated of companies," Orr said at the time. The job went, instead, to George Turnbull, ex-head of Talbot Motors UK.

Super-Dutch

While talk of growth in Britain this week has centred around the news that its firemen are getting fatter the Dutch have problems along another axis.

Dutchmen, perhaps reacting to their flat land, are getting taller.

So marked is the trend that Dutch builders are now fitting bigger doors in new houses to make life easier for the new super-Dutch.

A spokesman for the Dutch Municipal Building Fund says requests from home-buyers prompted the change. Research has confirmed that the Dutch, already among the tallest Europeans, are getting ever taller.

In 1984 the Dutch army recruited 477 men over six-feet seven-inches compared with 363 in 1980. The army has now ordered bigger beds.

The new standard Dutch door height goes up to six feet eleven inches — a four-inch increase.

Fat secrets

A postscript to yesterday's disturbing disclosures about Britain's fat firemen — approached for comment on the three-year Home Office study of weight and fitness, Rayner Goldsmith, the physiology professor who led the research, said he was unable to help. He had been obliged to sign the Official Secrets Act.

Beat that

The local Department of Health and Social Security office at Redditch recorded this unusual employment distinction from a benefit claimant: "I have now ceased full-time college, so I'm going to try the police force, or find a job."

Observer

SOUTH AFRICA'S NATIONAL PARTY CONGRESS

President Botha draws the line

By Anthony Robinson in Durban

"GRANTING concessions under conditions bordering on blackmail merely encourages a stronger party to raise his demands." This one line from President P. W. Botha's opening speech to this week's National Party federal congress in Durban sums up the underlying attitude now prevailing in South Africa's Afrikaner-dominated ruling party.

In essence, the Congress has underlined and codified the message that Afrikaners have drawn the line and will not be pushed beyond it either by blacks at home or by international pressure and sanctions. Further reforms have not been ruled out. More efforts will be made to improve social and economic conditions, notably black housing. Limited changes can also be expected to the Group Areas Act to permit a degree of local flexibility in the present rigidly separated racial zoning of housing and schools.

But the main message to South Africans of all colours and the world at large is that which has already been put across by actions such as the bombing in mid-May of alleged ANC bases in three neighbouring Commonwealth countries at the very time that the Commonwealth Eminent Persons Group was in South Africa and the rejection of the mediatory efforts of Sir Geoffrey Howe, the British Foreign Secretary.

President P. W. Botha addressing his party's congress in Durban this week.

The Congress reflected the widespread feeling that after three years of—by South African standards—unprecedented changes and reforms accompanied by rising violence, it is time to stop conceding ground. The point the Nationalists are trying to make is that if black leaders want to persuade Afrikaners in particular and whites in general to share power with them then they, too, must make concessions and move away from their current demand for one man one vote in a unitary state leading to black majority rule.

The fear which has affected so many of the party's rank and file in recent years is that by granting what they see as concession after concession, only to receive demands for more and faster change from blacks at home and governments abroad, South Africa's ruling white tribe has presented an image of weakness. It has raised expectations of an eventual and inevitable takeover by the black majority.

Reassuring the white grassroots, as President Botha and other leaders did this week, that the Afrikaner has "no intention of committing suicide," warning South Africa's neighbours that they will be the first to suffer from sanctions, and generally putting on record that those who believe that power can be easily wrested from Afrikaner hands have badly miscalculated: this, in sum, is the message emanating from Durban.

For that message to be credible and lead to a dampening of the expectations of the African National Congress (ANC) in particular, the first prerequisite has been to reunite the Afrikaner Volk — and bring in as many other non-Afrikaner whites as possible — around the National Party. Putting an end to the damaging split caused by recent defections to the right-wing Conservative and Herstigte Nasionale (HNP) parties, and to the paramilitary Afrikaner Weerstandsbeweging (AWB), has been crucial.

The principle which has been followed at this congress is the simple one that the best way to deal with a threat from the right is to move right yourself and cut the political ground from under its feet. This has been done with a vengeance. The voice of "verligte" or enlightened liberal nationalists was hardly to be heard among the fervent applause for hardline speaker after hardline speaker.

The voices that counted at this congress were those of Mr Louis Le Grange, the tough Minister for Law and Order, who made clear that the Government was in no hurry to dismantle the state of emergency; General Magnus Malan, the Minister of Defence, who flatly rejected talks with the ANC or the release of its leader, Dr Nelson Mandela and Transvaal party boss Mr F. W. de Klerk who reconfirmed the party's commitment to the principle of separate group area. The tone was reinforced by President Botha himself, and foreign minister Pik Botha. The President scathingly criticised the ignorance, hypocrisy and greed of the sanctions lobbies abroad and warned the countries of southern Africa as a whole of the dire consequences of ignoring South Africa's position as a regional, economic and military superpower.

Meanwhile, far from the Congress Hall itself, traffic was reported to be piling up at tough new border checks at the crossing post with Zimbabwe, through which the bulk of the entire Southern African region's trade passes en route to and from South African ports.

After months of anguish for MPs and local party bosses facing worried, confused and hostile constituents asking where the party was going, here was the kind of congressional message that would halt the rot and win the next election—which President Botha hinted may be around the corner.

Whatever the reservations about the long-term consequences for South Africa privately entertained by delegates, there can be little doubt that from a strictly party point of view this was, as President Botha said in his closing remarks, "a highly successful congress."

With gold and platinum prices smartly higher and the Stock Exchange, as a consequence, hitting record highs, it was even possible to brush aside as little local difficulties the rejection of homeland independence this week by KwaNdebele and the ruling by a Durban court challenging the legality of key elements of the state of emergency.

Talking to MPs from those constituencies in the Afrikaner "Platteland" country areas most affected by defections to the Conservative Party and the AWB gave one of the best indications of how morale within the party has changed since the government signalled its abrupt change of course three months ago by bombing the capitals of Zimbabwe, Botswana and Zambia, reimposing a state of emergency including tight curbs on the media, and spurning Sir Geoffrey Howe.

Four months ago Mr Piet du Plessis, the Minister for Manpower, was besieged by angry white farmers in his Steelpoort constituency on the borders of the poverty stricken Lebowa homeland. They were demanding tough action against "agitators" obstructing their supply of cheap black labour, and were defecting to the right in droves. Asked how the situation had changed since then, he smiled broadly and gestured with a twist of the palm of his hand: "From like this to like this."

The question now is what does the ruling party, relieved of its nightmares of widespread defections on the right, do with the power and confidence it has now begun to regain. The optimistic view is that the National Party has made a tactical retreat in order to consolidate its forces for a more realistic round of bargaining with black leaders in future and a determined effort to beat sanctions and demonstrate that pressure from abroad is counter-productive.

The pessimistic view is that the failure of the National Party to come up with any realistic long-term perspective for a negotiated political settlement with blacks, and its return to old certainties, will further tighten the international screw.

Only time will tell whether the National Party's assumption at this Congress that a hard-nosed restatement of white power, and an end to what is seen as one-way concessions, will in fact lead black leaders to modify their expectations.

But black reaction to the only two new proposals to issue from the Congress, the suggestion of possible city-state autonomy for large black townships and the proposals to organise black elections for representatives to the Government's projected National Statutory Council has been one of instant rejection—not only from the ANC in Lusaka but also by Chief Gatsha Buthelezi, Chief Minister of Kwazulu and leader of the Zulu Inkatha movement.

The ANC dismissed the election proposal put forward by Mr Chris Heunis, the Minister of Constitutional Development, as "merely playing around with concepts" while Chief Buthelezi said bluntly that he was just not interested and insisted that the essential *preconditions for genuine negotiations* with the Government remained the release of Mr Mandela and unbanning the ANC.

Both these demands were specifically rejected during this week's Congress. In a clear reference to the ANC, President Botha ruled out the possibility of talks with "those who are not at all interested in negotiations, but only the transfer of power to a radical power clique."

But, as the widespread boycott of elections to black town councils in 1983, and the similar boycott of elections to the Indian and coloured Houses of Parliament a year later demonstrated, South Africa's black majority has the power and the will to frustrate all schemes which fall short of real participation in power and decision-making.

The proposed National Statutory Council is billed by the Government as an advisory body in which blacks would have access to the decision-making process "at the highest level," and be consulted on any future constitutional blueprint. But it is difficult to imagine which black leaders would agree to participate. Both the ANC and astute moderate black leaders, like Chief Buthelezi, know that after two years of violent unrest, raised expectations and heightened black political consciousness, agreement to participate in such a vaguely defined and ultimately powerless body—while thousands of black leaders remain in detention and the country is in the grip of a state of emergency — would be tantamount to committing political suicide.

Under these circumstances, the offer to hold elections to the Council is perceived as a hollow gesture, almost one of desperation—not, as the Government would have it, as a significant step forward on the path to power-sharing.

After this Congress, the gap between black aspirations and white fears appears as wide, if not wider, than before.

North Korea in a corner

By Steven B Butler in Seoul

AS EVERY schoolboy strategist knows, backing a dangerous enemy into a corner is not always very safe. That, none the less, is precisely where South Korea and the West have put North Korea, which is armed to the teeth and is now receiving more military support from the Soviet Union.

North Korea still is an international renegade and by most normal criteria deserves to be isolated. From the 1968 commando raid into South Korea aimed at assassinating then-President Park Chung-Hee, to the 1983 bombing at Rangoon that killed much of the South Korean Cabinet, North Korea has perpetrated a string of outrageous atrocities.

Pressed by a shortage of foreign currency, Pyongyang has also instructed its diplomats to fund foreign missions by smuggling under the protection of diplomatic immunity.

North Korea did try conciliation two years ago, when it began to seek dialogue with South Korea. But the South frustrated the North by insisting that the dialogue produce practical results—trade in real goods or simple humanitarian gestures to reunite families.

The North has now pulled back into its shell, apparently concluding that it has nothing to gain by dialogue, and that any compromises it makes will simply grant more legitimacy to its rival in Seoul, while exposing its own people to unwelcome influences from the outside.

The North is now facing its biggest diplomatic defeat since the end of the Korean war.

At the end of September, nations from all over Asia, including North Korea's communist ally China, will arrive in Seoul to participate in the Asian Games. Two years later, Seoul will host the summer Olympics, where the participants are likely to include the Soviet Union and the eastern European nations. The world, minus North Korea, and possibly Cuba and Albania, will be coming to Seoul.

Pyongyang is still dickering with a proposal from the International Olympic Committee to co-host some events of the games, and has evidently not yet made up its mind. If the North rejects the proposals in the end, or attaches unacceptable conditions, it will be forced to sit out the games in bitter isolation, and may be tempted to take measures to disrupt them.

But accepting the IOC proposal is hardly better from the North's point of view. It would be tantamount to conferring legitimacy on the Seoul Government, and would expose North Korean society to the eyes of the international press, while failing to provide guarantees that Pyongyang would achieve other long-standing foreign policy goals—opening up more direct ties with the west, particularly Japan and the US.

South Korea's acceptance by the international community is no longer an issue. It has won the competition with Pyongyang. Are there still strong reasons to impose severe isolation on the North if that isolation only encourages extremism?

For years North Korea tried informally to use its close ties to China as a conduit to the West. But China, which has a strong interest in stability in Korea, failed to deliver anything to North Korea. Instead, China's new pragmatism has led it into a strong trading relationship with Seoul, and will lead it to participate in international events in the South Korean capital.

Unable to achieve satisfaction, and beset with growing economic difficulties, Pyongyang has turned increasingly to Moscow where it is picking up Mig 23s and other more sophisticated military equipment.

The closer ties with Moscow cannot sit very happily in Pyongyang, which prides itself on independence. But faced with severe constraints in the economy, including an acute fuel shortage that has forced cuts in military exercises, and growing international isolation, it may have little choice.

The exchange of gunfire on August 5 across the demilitarised zone between North and South Korea ought to serve as a warning. It still is not clear if this was an isolated incident, or the beginning of a pattern of harassment leading up to the Asian games.

If the west wants North Korea to be more moderate it ought to give Pyongyang an incentive, a reason to believe that compromise will bring it something more than humiliation and defeat. The west ought to tell Pyongyang, perhaps very quietly, but none the less very clearly, that if it accepts the IOC proposal to host several Olympic events, and follows through in good faith, the result will be reduced trade sanctions and improved diplomatic access to the West.

North Korea needs to be given a way out of its corner that reduces the threat to peace.

Letters to the Editor

Cornwall's economy

From the County Planning Officer, Cornwall

Sir,—It was with a sense of outrage that I read your Editorial "A bad decision for Cornwall" (August 11). The only real commitment the Government has made is the interest on £15m. Ultimately it may have risked £25m over five years to safeguard the 640 direct jobs with a further 160 jobs by 1990 in the two Cornish mines. As many jobs again, however, will be safeguarded in the supply industries to the mines and in the service sector as a whole. The Camborne School of Mines as a centre of mining tuition for the whole of the world will continue. In all the Government's decision affects at least 2,000 breadwinners.

Should the worst happen, the bleakest scenario painted in your article, the Department of Trade and Industry could lose all its investment at a cost of £12,500 per job or £2,500 per year. At best the loss would be the interest on the loan—a miniscule amount. Whatever happens, an area with very little hope of attracting what your Editorial calls "real jobs" has been saved from the abyss—unemployment in west Cornwall is now around 24 per cent and will deteriorate further this winter, but, what is more important the balance of payments will have saved around £35m a year, rising no doubt as the tin price recovers somewhat. As a nation we can ill afford the luxury of writing off whole industries as our balance of payments slips deeper into the red. Tin is not the same as coal or steel. Coal we have in abundance and new efficient mines can be opened, steelworks can be mothballed, but once a tin mine floods it is gone forever. Moreover, it is not only our supply of tin that will go, the tin mines of Cornwall produce many other metals whose future looks more secure—Wheal Jane produces more zinc than tin.

Then we come to the question of "real jobs." The supply of these is dwindling year by year as the shadow of high unemployment creeps steadily closer to London. The only "real jobs" being created in large numbers are part-time for women—apart perhaps from the steady growth of work in the City of London.

Seen from the assisted areas, there is considerable doubt whether some of these London jobs would have been created had UK interest rates been much lower. With much lower rates there would be better opportunities for more "real jobs" in the rest of the country. Your feature of Wednesday amply demonstrated the difficulties facing the Cornish economy in the current business climate. How much faster the Cornish small manufacturing sector, already showing an upturn, could grow given lower interest rates.

The Government, in the tin crisis in Cornwall, had the guts to look at the medium term, not just the short-term return on investment. There is some salvation in all this—short term equals short-sighted and your article displayed an abundance of the latter. When, in future, *your editorial talks about* "real jobs" you might consider the "real price" of not safeguarding them.

Colin Griffin,
County Hall,
Truro, Cornwall.

The nuclear paradox

From Mr T. Fortescue

Sir, — Professor Cassels (August 8) is well qualified to call for a full public debate on nuclear power to be joined and concluded over the coming months. As a layman, I warmly welcome his appeal to the professionals and the media to bring such a debate about. I write now to take issue with him when he states that "the public should try hard to pay careful attention" as if we laymen (and women) were naughty schoolchildren giggling at the back of the class.

We have, let me assure the Professor, been paying careful attention for a long time, and since Chernobyl that attention has been riveted. We are of course perplexed, but have the general common sense to have extracted from the cacophony of voices which assails us a few statements of view which appear to us to be factual in today's state of the art.

Nuclear power is here to stay and will not go away. In common with all mechanisms, nuclear power stations are not infallible. Some will sometimes develop faults no matter what safeguards are introduced. The consequences of a serious fault might do irreversible damage to the health of large numbers of people over a wide area, national frontiers obviously providing no protection. The likelihood of world agreement on nuclear power safety standards in the foreseeable future is small. If it were reached there could be no certainty that it would be honoured. Nuclear power could in theory bring unlimited energy to regions without fossil fuels or hydro-electric possibilities. The disposal of nuclear waste remains an unsolved problem.

And so on — we are non-technical and we want to be better informed. Those of us who are not firmly committed one way or the other have two co-existent gut feelings — that nuclear power must be developed for the benefit of mankind and that it presents too many hazards for such development to be pursued.

It is in the resolution of this *paradox that the debate called* for by Professor Cassels will be valuable, even invaluable, as far as "the public" is concerned. Is it too much to hope that the scientists can be persuaded to *make* a *serious* attempt to understand our misgivings and to reassure us in language *which* we can understand and in a manner which we find credible?

T. V. N. Fortescue,
34 Stanford Road, W8.

Alvey at the crossroads

From Mr R. Street

Sir,—I was interested to read the article by David Fishlock (August 12) on the UK computing initiative, "Alvey at the crossroads." I believe that the whole programme should be closed down as a lot of academic nonsense.

What has happened is that the UK became scared of what the Japanese were doing and without bothering to find out—even if that were possible—assumed that it was something to do with so-called artificial intelligence. Try defining intelligence, try defining artificial, and then put the two together and you end up in Blubberland—namely something which can be argued about, in usually a circular fashion, for decades.

The Alvey programme is thus trying to get the computer to do something which has not been defined and cannot be defined. A computer does exactly what it is told, nothing more and nothing less. It cannot reason (whatever that means) and it cannot come to any form of conclusion, other than that which it is ordered to do, unless that judgment is based on a set of purely mathematical premises, as could be the case in playing a game of chess.

In any case, as is now clear, the Japanese research effort has run into very serious difficulties (a lot of people seconded to it reportedly want "out"). Maybe since the UK could be a little less scared—and a bit more rational about the whole process—we shall cease wasting money on programmes which are put forward by academics, before going into the whys and wherefores in much more detail.

As for expert systems, these are nothing more and nothing less than putting into computerised form knowledge which has been gained over a considerable period by one or more people. Clearly such knowledge can be used on a simple question and answer basis, but when things get complicated, I very much doubt its viability.

I am not in the least surprised that the Advisory Council for Applied Research and Development (Acard) hardly mentions prospects for artificial intelligence.

Robert T. Street,
109, Oak Tree Road,
Knaphill, Woking, Surrey.

Outlook for surveyors

From Mr J. Newsum

Sir,—I read the astringent article in your property market report (August 8). Christopher Walls' criticism of surveyors' property investment advice is mainly just but he sounds surprised and somewhat vindictive.

In the past, surveyors never pretended that they were strategic investment advisers and specialist "investment brokerage" departments have only been in existence for 15 years or so—financial services departments even less. Nevertheless, their evolution has been rapid from pure broker towards adviser and it is because surveyors perceive the need to become more strategic without losing their technical expertise that they desire competition on the same terms as the financial conglomerates. It does not require a genius to see that surveyors will gradually lose outright control of their destiny, in the same way that stockbrokers have, but that need not reduce them to second class citizens.

The truth is that there has never been good strategic advice on property — and certainly not from the stockbroking profession which has, arguably, been more ignorant of property than surveyors of the other capital markets. There is an unmistakable whiff of revolution in the air and whatever results will undoubtedly broaden the horizons of the surveyor. Real estate is relevant so frequently in commercial, political and domestic life that I can only see an increasing influence for surveyors and not only in the fields of corporate finance and investment.

J. H. M. Newsum.
21, Baalbec Road, N5.

FINANCIAL TIMES
Friday August 15 1986

Irish riot police protect loyalist protesters

By Hugh Carnegy in Dundalk

IRISH riot police had to intervene yesterday to protect a group of Protestant loyalists from attack by local republicans in the border town of Dundalk.

The incident followed a court appearance by Mr Peter Robinson, an Ulster Protestant leader and member of the UK parliament. He was remanded on bail on four charges arising from an incursion into the Irish Republic last week by several hundred Northern Ireland loyalists, supporters of the province's union with Britain.

Such clashes are virtually unprecedented in the Irish Republic. Six people, all from the south, were arrested, and at least as many were injured in the disturbances which started after police allowed the two sides to mingle outside the court.

Mr Ian Paisley, leader of the Democratic Unionist Party, had called for "every available loyalist" to travel to Dundalk to support Mr Robinson, his deputy. In the event, Irish police estimated no more than 150 came, many of them delayed at the border as Irish police and troops carried out painstaking searches of their cars, confiscating wheel braces, umbrellas, spades, flagstaffs and some paramilitary-style clothing.

Mr Robinson himself drove to the court in a high-speed convoy escorted first by the Royal Ulster Constabulary and then by the Irish police. Two union flags flew from his car, which was jeered and kicked as it drove into the town and afterwards as it left.

There were clashes before the court hearing but the most serious came after Mr Paisley and Mr Robinson were safely on their way home, leaving their supporters surrounded by republicans chanting Irish Republican Army slogans.

A group waiting outside the court was stoned and kicked before riot police wielding truncheons began to escort them towards their cars on a nearby games field. As the huddled group pushed through the main street, two milk crates full of petrol bombs were hurled in front of them from a second-floor window, sending a blast of flame across the road but injuring no one.

Mr Paisley said later at a news conference in Belfast that he would be protesting to the EEC and to the British Foreign Office that loyalists had not been properly protected by the Irish authorities. Mr Robin said: "It shows the failure of the Irish security forces to provide "proper security within their own state at a meaningful level."

Mr Robinson, MP for East Belfast, faced four charges of assaulting two Irish police officers, damaging a police car and unlawful assembly during the loyalist incursion into the Irish village of Clontibret. District Justice Aodhaghan O'Reilly granted a request by the state solicitor to adjourn the case to nearby Ballybay on October 2.

Cunard pays $50m for two Norske Cruise ships

BY TONY JACKSON IN LONDON

CUNARD, the shipping arm of Britain's Trafalgar House, is to acquire two of the world's most luxurious cruise ships for more than $50m. The seller, Norske Cruise of Norway, was about to have the ships repossessed for non-payment of interest.

The ships, Sea Goddess I and II, originally cost $34m apiece. They are 18 months and two years old respectively.

A fortnight ago, Wartsila, the Finnish firm which built the ships and also provided finance, put in a repossession order. Norske Cruise had fallen behind with interest payments, largely because the Achille Lauro terrorist incident, in which a US tourist was killed, had caused a slump in bookings.

The imminent collapse of Norske Cruise had caused concern in Norway. The company, set up to build and operate the ships, is a consortium of a large number of small investors, both Scandinavian and American. The scheme offered scope for tax avoidance.

It has been rescued by a combination of Cunard and Britain's Midland Bank. Technically, Midland has bought the ships and is leasing them to Cunard for 12 years. It has the option to sell them to Cunard at the end of the period.

Cunard, which already owns five cruise ships including the Queen Elizabeth 2 (QE2), said cruises on the two Norwegian vessels were among the most expensive in the world. Each ship has 58 double cabins, which cost $1,200 per day.

Sea Goddess I is at present cruising from Vancouver to the Arctic and her sister ship is in the Mediterranean.

Trafalgar House said it could run the ships substantially more cheaply. "A large proportion of the cost of running a cruise ship is land-based," the company said. We have the sales and service network round the world and the marginal cost to us of selling another 232 tickets a week is practically nil. It's a fabulous deal for us."

Besides the QE2, Cunard owns two ships in the five-star luxury class, the Sagafjord and the Vistafjord. Its other two, the Cunard Countess and the Cunard Princess, are described as at the lower end of the four-star range.

Brussels and Bonn to probe state aid for Daimler plant

BY RUPERT CORNWELL IN BONN

THE EUROPEAN Commission and the West German Government are to investigate plans by the Daimler-Benz motor group to build a DM 1.8bn ($886m) car plant in Baden-Württemberg. They suspect that help from the local state government might contravene EEC competition and subsidy regulations.

Mr Martin Bangemann, the West German Economics Minister, said yesterday that his officials had been approached by Brussels about the scheme for the assembly plant at Rastatt, for which the Baden-Württemberg Government in Stuttgart is estimated to be putting up between DM $120m and DM $140m. The ministry has requested full details from Mr Lothar Späth, the state's Premier.

The probe is a further sign of the Commission's determination to stamp out subsidies to the European motor industry. It is seeking to block FFr 3bn ($445m) of grants recently allocated by the Paris government to Renault, the nationalised car manufacturer.

That attempt is likely to run into stiff opposition from the French, but the Daimler-Benz case is less clear-cut. If the money to be contributed by Baden-Württemberg merely covers general public infrastructure improvements, made necessary by the plant, it may be permissible under Community rules. But if it was specific, it might be an infringement of competition, Mr Bangemann said.

Mr Bangemann, leader of the Free Democrat (FDP) junior coalition party, did not hide his own misgivings about the aid, promised by Baden-Württemberg where the Christian Democrats (CDU) have an absolute majority in the state parliament.

"From a purely political viewpoint," the minister said, there was much about it which he did not like. The affair could cause embarrassment for him in Brussels where West Germany has long campaigned for a reduction in industrial subsidies, for example in the European steel industry.

"It's not a very convincing policy to fight against subsidies at Common Market level and then be a member of a government which authorises them at home," Mr Bangemann said.

The new Rastatt operation is expected to assemble some 70,000 cars a year and provide 7,000 jobs. But critics of the help provided by the Stuttgart government point out that Daimler-Benz is not only West Germany's largest industrial company but also one of its richest.

Schwab resigns as main board member of BankAmerica

BY PAUL TAYLOR IN NEW YORK

MR CHARLES SCHWAB, chairman and chief executive of BankAmerica's discount brokerage subsidiary, has resigned from the main board of the struggling West Coast banking group.

The surprise move late on Wednesday came three days after BankAmerica announced that Mr John Poelker was resigning after only six months as chief financial officer and treasurer. It was seen on Wall Street as raising further doubts about the banking group's immediate recovery prospects.

Mr Schwab, who became a BankAmerica director when his discount brokerage business, Charles Schwab and Co, was acquired by the banking group in 1983, is believed to have been an increasingly vital critic of BankAmerica's senior management team and an active boardroom dissenter in recent months.

Last year, he tried to buy the brokerage business back from the group. Earlier this year, he is believed to have been among a small minority of BankAmerica directors who backed an abortive bid by Mr Sandy Weill, the former American Express president, to take over the group and replace Mr Samuel Armacost as the banking group's chief executive and chairman.

Mr Schwab said he was resigning from the bank and holding company boards "to be able to devote undivided time and attention" to the affairs of the brokerage business "and to ensuring that it is the most successful enterprise in the business."

Nevertheless, his decision, coming hard on the heels of Mr Poelker's resignation and BankAmerica's $640m second-quarter loss, was viewed on Wall Street as another blow for the recovery hopes. Mr Armacost said Mr Schwab had been a valuable contributor to the board's deliberations. "We respect his wish to concentrate his business attention exclusively on the growth and success of the company he founded."

BankAmerica faces pressure to increase its capital or shrink itself because of a series of big losses mainly resulting from the need to bolster reserves to cover its problem loan portfolio. However, Mr Armacost has said that the group will not sell Charles Schwab and Co or SeaFirst, a subsidiary banking group, two of its most valuable assets.

There has been criticism on Wall Street of Mr Armacost and Mr Leland Prussia, the two senior executives who have run the group for the past five years, and some speculation about Mr Armacost's future.

Mr Schwab's resignation appears to consolidate Mr Armacost's grip on the bank's dwindling 14-member board, which he has chaired since Mr Prussia stepped aside in March.

The announcement of Mr Schwab's resignation came after Wall Street closed on Wednesday. In early trading yesterday, BankAmerica shares had fallen $¾ to $12, an all-time low.

Men and Matters, Page 10

Australian current account deficit worsens

By Emilia Tagaza in Canberra

AUSTRALIA's current account deficit worsened dramatically last month, increasing pressure on the Labor government to make its 1986–87 budget, to be announced on Tuesday, the most stringent during its three years in office.

The deficit reached A$1.56bn ($952m) in July, an increase of almost A$500m over the June figure. Imports rose by 2 per cent during July while exports dropped by 3 per cent, resulting in a trade deficit of A$524m, up from A$185m in June.

Money market dealers said the deficit was worse than their most pessimistic forecasts, but the figure did not cause another plunge in the Australian dollar's value. The market is looking more at Tuesday's budget for signals for the currency's direction.

Mr Bob Hawke, the Prime Minister, put on a brave face, saying that the deficit was within the expected range of A$1.48bn to A$1.7bn. He was heartened by the market's reaction.

Mr Jeff Schubert, economist for Wardley Australia, said the A$1.56bn deficit made it even more urgent for the government to cut the budget drastically. "The market is looking at a budget deficit of A$4bn and if it doesn't get that, there will be further downward pressure on the Australian dollar," he said. There were several areas where the government could reduce expenditure, but the question was whether it had the will to cut spending in politically sensitive areas.

Mr John Button, the Minister for Industry and Commerce, said he did not expect an improvement in Australia's trading position in the near term. "It has taken 20 years for Australians to become aware of the structural deficiencies in the economy, especially the over-reliance on mineral resources, and you're not going to change that overnight."

One factor that had abetted Australia's external accounts problem was the huge increase in the amount of money flowing out of the country. From July 1985 to June 1986, private companies' direct investment in overseas stocks amounted to A$2.4bn, an 85 per cent rise over the previous financial year's A$1.3bn. During the first nine months of 1985-86, direct capital outflow had reached A$1.6bn.

To offset the capital outflow, Mr Paul Keating, the Federal Treasurer, last month announced new investment guidelines which dismantle most restrictions on equity investments in Australia by foreigners. He also abolished the dividend withholding tax and the profits tax that used to be levied on foreign investments in Australia.

Guinness sells BP shares

Continued from Page 1

On Wednesday, Guinness unveiled new proposals including the appointment of four non-executive directors in a move to dampen the controversy over its earlier plan to scrap a group Guinness-Distillers board. Although the regulatory authorities have supported this move, they still intend to keep the pressure on Guinness through the phrasing of the shareholders circular.

Mr Marcus Agius, a director of Lazard merchant bank advising Guinness, and its president elect, Lord Iveagh, denied any difficulties with the Stock exchange. "We are just going through normal drafting procedures."

Mr Agius said Guinness had done very well to gather a strong non-executive team of high calibre in the four weeks since the controversy began.

But the regulatory authorites are apparently keen that Guinness should name its proposed fifth non-executive director who will have close ties with Scotland.

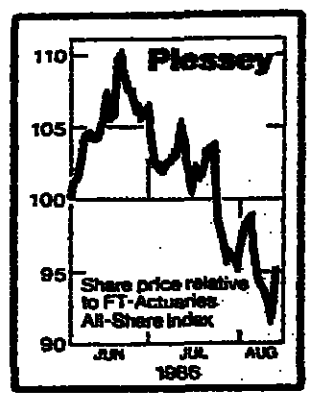
THE LEX COLUMN

Painful exchange for Plessey

Plessey admirably resisted an inclination to rub GEC's nose in the Monopolies Commission report by announcing first quarter figures, to June, no better than expected at £43.3m pre-tax, 10.2 per cent ahead. But since Plessey has set itself up as a contrary thinker, short-term profits are regarded as bad if they are made at the expense of growth further ahead. Investors who have had a long wait for the long term to arrive, at least got the hint that next year the horizon will seem nearer.

In telecommunications, Plessey is suffering the painful transition from old style exchanges, which stopped selling in the second quarter of the last financial year, to System X, now building up. The £5.1m improvement in telecommunications operating profits to £18.7m was more than accounted for by a £1½m turnround to profit in payphones, and a £4m swing into profit at Stromberg-Carlson in the US. In the US, Plessey has to prove itself as a supplier to some of the Bell companies, and with field trials now taking place the chances are good of major orders stretching ahead, and perhaps substantial profits in 1988 and beyond. Orders for Ptarmigan and Raven on the defence electronics side may be closer at hand, while in microelectronics profits will be held back this year by the opening of a new £40m plant.

If all that seems like jam tomorrow, the market must value current earnings on the chances of investment paying off sufficiently to make up for profits foregone now. If profits this year reach £200m, against £170.2m and with a tax charge of 36 per cent, the multiple of around 11 with the shares at 194p, down 6p yesterday, is not asking much. One certainty is that Plessey is still growing its dividends at 15 per cent each year.



Royal Insurance

The London market had such exaggerated hopes of yesterday's interims from Royal Insurance that it was not to be satisfied by dividend growth ahead of the market (at 14 per cent) and the conversion of last year's £18m pre-tax loss into an £87m gain. Royal itself lost 7p on the day to 824p and the other composites, which were streaming ahead on General Accident's generous dividend announcement, ground to a halt.

The market is peering so hard for clouds on the US underwriting horizon, that matters nearer at hand are blurred. Royal might well have turned in profits well ahead of the best expectations, but for a £15m adjustment in reserves against medical expenses in the workers' compensation business. Royal insists it is over-reserved in the US.

Royal was just as confident about North American commercial premiums as General Accident or Commercial Union and could turn out even better figures: premium income in local currency terms was up 40 per cent in the US in the first half (21 per cent in Canada) with operating ratios down 15 points in both territories. At that level of profitability, there can be no worries about Royal's US capital base.

The bears may be alarmed that US commercial multiperil policies are now being renewed at cheeseparing increases of only 48 per cent. Yet when Royal is underwriting all its commercial business but workers' compensation at a profit, the 70 per cent price increases of the winter would carry the double risk of new capacity and rate-capping. If Royal does not make well over £220m for the year, it must be the weather.

BBA

When the new improved BBA management did the grand tour of the City of London this summer the institutions were having severe difficulties in getting hold of enough of the wonder stock. How considerate therefore of the motor components group to swell its equity by 25 per cent. The interim pre-tax profits of £12.4m were pretty much in line with expectations, but the hefty issue of new shares was not. With gearing running up to 80 per cent, it should have been.

This is not one of those tedious equity calls that dilute earnings. The company insists that the straightforward application of the funds to debt reduction will increase earnings per share this year. Some shareholders might deduce from that that it would be just as good not to take up their rights and use the unspent money on gilts of their choice. At the very least the admission shows just how much Dr John White and friends must do to bring return on capital in the company up to acceptable levels.

The problem with the interim results is that yet again the UK earnings are in the doldrums. The fact that overseas earnings are buoyant by comparison draws yet more attention to BBA's ACT problem. The company needs another £4m a year of UK earnings to escape entirely from the tax trap, and that seems most likely to come from yet another acquisition. Given that the company takes gearing of about 50 per cent to be a desirable level, and that the rights issue will reduce the figure to half that level. BBA has around £25m to spend, even before recourse to further paper. Industrial textiles appears to be the choice, but BBA is by no means the only one shooting at that particular target.

BP placing

To hail yesterday's BP placing as the first bought deal in the London equity market is more investment bank hype than a statement of fact. In a sense bought deals have been happening for years, though dressed up as best-efforts placings, and the UK end of the deal conformed to pre-Big Bang Stock Exchange rules. Though Guinness was paid a net price for its shares, Hoare Govett and the market took their turns, while buyers paid the usual stamp and commission. Salomon Brothers' 20 per cent of the action was no more than an international placing of an international stock. The deal was an undoubted success as the 8p rise in BP's shares to 598p shows. But that owes more to the change in sentiment towards oils than admiration at the placers' courage in taking a momentary risk.

DKr drops on trade gap fears

Continued from Page 1

term, only two weeks after the unilateral devaluation of the Irish punt.

"A second realignment for the same reasons as the Irish punt's would signal mismanagement of the system," comments Mr Geoffrey Dennis of broker James Capel in London.

If the D-Mark continues its steady rise against the dollar, however, he expects the pressure to rise against the weaker currencies in the EMS. If they gain ground more slowly against the dollar, they will fall back against the West German currency.

The Danish budget is presented while the Folketing is on holiday and is therefore not usually an occasion for important new policy announcements.

West Germany may cut rates

Continued from Page 1

rency markets and on debtor states hoping for expanding sales in the industrialised countries.

It is also noted that within the European Monetary System (EMS), the D-Mark has regained part of the strength lost through the realignment in April. This, too, is felt to give more scope for a cut in the German discount rate, but preferably as part of co-ordinated action with European partners.

Canada GNP 'to slow'

CANADA'S rate of economic growth is expected to continue to slow until the end of next year, the Organisation for Economic Co-operation and Development (OECD) said yesterday, Reuter reports from Paris.

It noted that Canada's output growth over the past 18 months had been among the highest in the OECD area, exceeding the predictions of even optimistic forecasters.

But economic prospects to the end of 1987 were strongly affected by the recent decline in oil prices, the outlook in the US and the orientation of fiscal policy toward budget deficit reduction.

"On balance GNP (gross national product) volume growth is expected to slow to around 3.75 per cent this year and 3.25 per cent in 1987, mainly reflecting the implications of fiscal consolidation on both real public consumption and real household disposable income," the OECD said.

Canadian GNP rose 4.5 per cent in 1985 and 5.0 per cent in 1984.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	C	29	84	Malta	S	32	90	Rhodes	S	28	82
Algiers	S	37	99	Edinburgh	S	15	59	Manchester	C	16	61	Rio de J'o	C	28	82
Amsterdam	S	24	75	Faro	S	26	79	Manila	C	33	91	Rome	F	29	84
Athens	S	32	90	Florence	F	29	84	Melbourne	F	13	55	Salzburg	F	19	66
Bahrain	C	38	100	Frankfurt	F	24	75	Mexico City	C	24	75	San Francisco	C	13	55
Bangkok	S	34	93	Funchal	C	25	77	Miami	F	26	79	Seoul	S	30	86
Barcelona	S	28	82	Geneva	C	24	75	Milan	F	26	79	Singapore	S	31	88
Beirut	S	30	86	Gibraltar	Fg	24	75	Montreal	S	17	63	Stockholm	C	13	55
Belfast	F	15	59	Glasgow	F	16	61	Moscow	C	17	63	Strasbourg	S	25	77
Belgrade	S	26	79	Guernsey	F	16	61	Munich	C	18	64	Sydney	F	17	63
Berlin	S	24	75	Helsinki	C	15	59	Nairobi	S	24	75	Taipei	S	34	93
Biarritz	C	24	75	H. Kong	F	32	90	Naples	S	32	90	Tangier	S	25	77
Bombay	C	28	82	Innsbruck	F	20	68	Nassau	C	32	90	Tel Aviv	S	25	77
Bordeaux	S	26	79	Inverness	S	14	57	New Delhi	C	29	84	Tenerife	S	25	77
Brussels	S	25	77	Islamabad	—	—	—	New York	S	20	68	Tokyo	F	29	84
Budapest	F	25	77	Istanbul	S	28	82	Nice	S	27	81	Toronto	C	16	61
B. Aires	C	18	61	Jakarta	R	29	84	Nicosia	S	37	99	Tunis	S	37	99
Cairo	S	35	95	Jersey	C	19	66	Oporto	S	20	68	Valencia	F	29	84
Cape Town	F	16	61	Jo'burg	S	22	72	Oslo	F	18	64	Venice	F	23	73
Caracas	S	28	82	Lima	C	18	64	Paris	C	26	79	Vienna	S	31	88
Casablanca	S	24	75	Lisbon	S	26	79	Peking	R	25	77	Warsaw	F	21	70
Chicago	C	25	77	London	F	19	66	Prague	S	23	73	Washington	S	21	70
Cologne	S	25	77	Los Angeles	C	17	63	Reykjavik	S	13	55	Zurich	S	23	73
Copenhagen	S	21	70	Luxembourg	S	22	72								
Corfu	S	31	88	Madrid	S	31	88								
Dallas	S	23	73	Majorca	S	30	86								
Dublin	F	15	59	Malaga	S	27	81								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bhutto held after riots in Pakistan

Continued from Page 1

party Movement for Restoration of Democracy (MRD) had been arrested by the end of yesterday.

Miss Bhutto accused Mr Mohammad Khan Junejo, the Prime Minister, of being nothing but the head of a civilian martial law government.

"If the regime hopes," she added, "that by arrests, no matter how widespread, to stem the tide of popular opposition to its rule then it has calculated wrongly."

If the security situation deteriorates further President Zia ul-Haq, who is on a pilgrimage in Saudi Arabia, may have to return to take charge.

There are fears that this week's disturbances may prompt the army to put pressure on President Zia to reimpose martial law. He would resist this since it would undermine his carefully nurtured plans for the restoration of limited democracy.

Since returning from self-imposed exile Miss Bhutto has been able to travel and speak freely. Until yesterday's crackdown, diplomats believed she was making only limited progress in undermining the regime.

One observer said: "Her arrest and the killings give the opposition the cause it was looking for. It's a major setback in the transition to civilian rule."

On Monday Mr Junejo had cancelled his own rally which was to have taken place at Lahore yesterday and he appealed to the opposition to do likewise.

Miss Bhutto and other MRD leaders rejected Mr Junejo's request and claimed that he had cancelled his own meeting because fewer people would have attended it.

The Government then imposed a legal ban on all political meetings and rallies across the nation and arrested more than 400 political activists, including a dozen top leaders of MRD, in a pre-dawn swoop on Wednesday.

Miss Bhutto led a demonstration of 8,000 supporters from her seaside residence in Karachi. The procession was repeatedly teargassed by the police who also fired into the air to frighten the crowd.

Miss Bhutto later defied the Government ban once again, when she secretly arrived at another opposition public meeting.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday August 15 1986

Conifer faces takeover

BY PAUL TAYLOR IN NEW YORK

CONIFER Group, the sixth-largest banking group in Massachusetts, facing an unsolicited takeover bid by Fleet Financial Group, agreed to be acquired by Boston-based Bank of New England in a share swap deal valued at $656m.

Bank of New England is the second-largest banking group in New England and the 28th largest banking group in the US.

If completed, the deal would mark a futher consolidation of the banking industry in New England and a significant coup for Bank of New England which will emerge with about $24bn in total assets. Conifer, which has itself been growing rapidly through acquisitions, has assets of $3.9bn, up from $2.54bn at year-end.

Bank of New England, which became a major regional banking group as a result of the mid-1985 merger of Bank of New England and Connecticut-based CBT Corporation, agreed to exchange stock worth $62 for each Conifer share.

Last month Fleet Financial, the Providence, Rhode Island banking group which has also been growing rapidly through acquisitions, offered to acquire Conifer in a deal valued at $52-a-share or $554m. Fleet said it had offered to increase its bid but indicated that it was not willing to match Bank of New England's bid which is a hefty three times Conifer's book value.

Under the preliminary agreement, which has been approved by both boards but which will probably be reviewed by bank regulators because both groups already have a strong presence in Massachusetts, Bank of New England agreed to exchange up to 1.95 of its shares and not less than 1.65 of its shares for each of Conifer's 10.5m common shares.

In addition, Conifer granted Bank of New England an option to acquire up to 3.4m of its shares, or 25 per cent of its stock after exercising the option, for $50 each.

In response to the announcement, Conifer's stock gained $3⅜ a share to $54⅜ while Bank of New England's stock fell $⅝ a share to $32⅜.

Navistar earnings slip further

BY OUR NEW YORK STAFF

NAVISTAR International, the US heavy and medium truck group, yesterday reported a further decline in its quarterly operating net earnings to near-breakeven levels. It cited a sharp downturn in heavy truck sales and gave a warning that it saw no signs of a market turnround.

In the immediate wake of the poor results and gloomy outlook, Navistar's share price fell $⅛ to $7⅞. The Chicago-based group, which changed its name from International Harvester earlier this year, said its operating earnings plunged to $3m in its fiscal third quarter ending July 31 from $29m or 21 cents a share in the year-ago period. Sales dropped by almost 14 per cent to $762m from $885m.

Navistar said third-quarter retail sales of heavy trucks were about 20 per cent below the 1985 level while medium truck demand was unchanged. "The economic turbulence which has buffeted the heavy truck industry throughout 1986 shows no signs of abating," the company said. It added that it expected the depressed market conditions and consequent price discounting of both new and used heavy trucks to continue in the fiscal fourth quarter.

The truck maker also noted that demand for its 6.9 litre diesel engines from one of its main customers fell in the latest period from the full capacity levels of the first half.

Navistar's net earnings also fell, due in part to lower tax credits. In the latest quarter a $2m tax benefit made final net earnings of $5m or one cent a share, while a $25m tax benefit in the year-ago period lifted net earnings to $54m or 39 cents a share.

For the nine-month period Navistar reported operating net earnings of $28m or 12 cents a share, down from $82m or 56 cents a share in the year-ago period, on sales which fell by 7.9 per cent to $2.43bn from $2.64bn.

In the latest nine months, a $24m extraordinary gain from income tax benefits made final net earnings of $52m or 30 cents a share. This was compared to a huge $421m loss in the year-ago period when the group was hit by a $576m loss on discontinued operations only partly offset by a $73m tax benefit gain.

Hall files $275m suit against Federal Savings

BY MARY FRINGS IN DALLAS

MR CRAIG HALL, the Dallas real estate syndicator who has been negotiating since January to restructure more than $700m in debt, has filed a $275m damages suit in Dallas and Detroit against the Federal Savings and Loan Deposit Insurance Corporation (FSLIC).

The suit arises out of $132m in loans from Westwood Savings and Loan Association of Los Angeles on 15 apartment and office properties owned by Hall limited partnerships in Texas, Colorado and Michigan.

In June Mr Hall announced a preliminary restructuring agreement with Westwood but a month later the FSLIC, acting as conservator for the troubled thrift, asked the courts to appoint a receiver for the properties and to seize all income from them.

This action, Mr Hall claims in his suit, had disastrous effects on the economic viability of the whole of Hall Financial Group, which with $3bn in assets is one of the nation's largest privately-owned real estate syndication firms.

In another development, Manufacturers Hanover Trust and a group of other bank lenders have posted for foreclosure nearly 500 acres of property in Texas and other assets owned by three members of the Hunt family of Dallas, for payment on a $840m line of credit to Penrod Drilling.

This follows a posting last week on the Hunt-owned Placid Building and Service Company's 27 per cent interest in the Thanksgiving Tower, a 50-storey central Dallas building, for payment on a $100m loan.

In a tangle of lawsuits, the companies and trusts controlled by Bunker, Herbert and Lamar Hunt have filed two damage claims totalling $13.8bn from 23 banks, including National Westminster

Pharmacia ahead by 16% in first half

By Sara Webb in Stockholm

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, announced a 16 per cent increase in profits after financial items for the first six months of this year.

Profits after financial items were SKr 426m ($61.6m) compared with SKr 368.2m for the first six months of last year.

The company has had to increase its estimated tax bill since the end of the last quarter. It expects after tax profits of SKr 311m a 7 per cent rise on the first half of 1985.

Group sales for the first half year were up 4 per cent to SKr 1.769bn from SKr 1.7038bn despite a fall in the dollar.

Pharmacia expects sales for the year to increase by between 5 per cent and 10 per cent. Profits after financial items are expected to rise more rapidly than sales.

Profits at KLM hit by weak dollar

By Laura Raun in Amsterdam

KLM ROYAL DUTCH Airlines incurred a 29 per cent drop in profits to Fl 82.2m ($35.7m) in the first quarter due to smaller revenue resulting from stiffer competition and the sharply lower dollar.

Much of the Dutch flag carrier's revenue is denominated in the dollar, which was 27 per cent weaker in the first quarter ended June 30 than a year earlier, thus translating into fewer guilders.

Keener price competition arising from deregulation and the fall-off in American passengers cut heavily into traffic revenue. KLM is believed to have suffered a drop in US traffic, like other airlines, because of fears of international terrorism.

Total turnover declined 11 per cent to Fl 1.39bn, including a 13 per cent drop in traffic revenue. The occupancy rate – the number of passenger seats and freight space filled as a percentage of the total – slipped to 66.4 per cent from 67.7 per cent in the first quarter of 1985.

Overall costs decreased 9 per cent to Fl 1.31bn, aided by a 44 per cent plunge in fuel costs due to the cheaper dollar. The depreciated dollar also whittled down financial charges by half to Fl 12.3m from Fl 25.2m. On balance, however, the eroded dollar hurt KLM more through lower revenue than its helped by cutting fuel and financing costs.

Total traffic climbed 6 per cent to 857m ton-kilometres in the first quarter with passenger, freight, post and charter categories rising. The latest quarter represented a turnaround for freight traffic.

● Mr Carl Icahn, the Wall Street corporate raider who controls Trans World Airlines (TWA), expects the embattled international carrier to post a net profit in the third quarter after its first-half deficit of $256.6m.

Mr Icahn said after the company's annual shareholder meeting: "I'm optimistic about the quarter. We should have a net profit." In the 1985 third quarter TWA suffered a $13.5m loss.

During the meeting Mr Icahn had said that TWA earned $25m to $30m pre-tax in July and that he expected August's results to be better. He added that the company's costs had been reduced and its load factor had improved from 70 per cent to 74 per cent last month.

A third-quarter profit would represent a considerable achievement for the airline, which was hit in the first part of the year by a loss of traffic to Europe because of Americans' fears of terrorism, and the recent strike by flight attendants which had cost the airline more than $100m.

Asea boosts turnover by 32%

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ASEA, the Swedish electrical engineering group, boosted its turnover by 32.3 per cent in the first six months of the year to SKr 22.7bn ($3.3bn), helped by the invoicing of the Oskarshamn 3 nuclear power station.

Profits (after financial items) rose by 19.9 per cent to SKr 1.329bn. The group repeated its earlier cautious forecast that earnings in the full year should at least match 1985 results.

Pre-tax profits in the first six months have been inflated by extraordinary gains of SKr 899m and as a result more than doubled to SKr 2.228bn from SKr 1.096bn in the first half of 1985.

During the first half of 1986 Asea has sold off part of its power generation assets including a 7.5 per cent stake in OKG, the utility owning the Oskarshamn nuclear power station, and hydropower assets worth a total of SKr 1.7bn. In addition it has disposed of a 16 per cent shareholding in the Aker group, the Norwegian engineering and offshore fabrication concern, for more than SKr 300m.

Partly as a result of the disposals, Asea's liquid assets had climbed to SKr 10.833bn by the end of June compared with SKr 8.27bn at the end of 1985 and SKr 6.93bn a year earlier.

The group said that the value of new orders booked in the first half of 1986 rose by 30 per cent to SKr 24.9bn, compared with SKr 19.26bn in the corresponding period a year earlier. The chief increase came in Asia and Western Europe, excluding Sweden.

Asea said that the weak economy in Sweden, reflected above all in low industrial investment, had slowed domestic order bookings, which would have a negative impact on margins.

New orders include a contract for a light rail transit system for Istanbul, and three orders for High-Voltage Direct-Current (HVDC) installations.

The group's operating earnings after depreciation rose by only 13.8 per cent to SKr 1.045bn, but profits were boosted by a further improvement in net financial income.

Asea is expanding its financial services and trading activities, including insurance, stockbroking and money market trading, and earnings in this sector were helped by declining interest rates and the strong performance of the Swedish stock market.

The group said that the earnings of several of its domestic subsidiaries had declined due to the slowdown in the Swedish economy and earnings had also been hit by labour market conflicts in Finland.

Capacity utilisation in most parts of the group was generally satisfactory. Group capital expenditure rose to SKr 607m from SKr 541m in the first half of 1985.

As a result of a number of earlier acquisitions the Asea workforce has risen to 64,476 from 59,439 in 1985.

Simmons gains control of US chemical group

MR HAROLD SIMMONS, the Dallas investor, yesterday cemented his control of NL Industries through a complex deal that follows recent open market purchases which lifted his stake in the US oil services and chemicals group to more than 51 per cent, writes Our Financial Staff.

The two sides have been involved in a protracted takeover saga which last week spilled over into the courts when a judge ruled NL's "poison pill" anti-takeover tactics invalid. However, Mr Simmons was also prevented from continuing with a tender offer for the company, and attempted to sidestep the court order by buying shares in the market.

Now NL and Amalgamated Sugar, which is controlled by Mr Simmons, have entered an agreement to "work together to maximise the value of NL's common stock and its Series C depositary receipts."

The deal calls for the restructuring of NL's board so that five of its nine members will be designees of Amalgamated.

Maxwell stages raid on shares of Extel group

BY CHARLES BATCHELOR IN LONDON

MR ROBERT MAXWELL, publisher of the Daily Mirror, yesterday staged a surprise stock market raid on the shares of Extel, the business and sporting information group, to increase his holding from 17 per cent to 27 per cent. He bought 4.2m Extel shares for about £18m in 90 minutes.

Mr Maxwell said the share buying was intended to reinforce his opposition to Extel's plans to buy Dealers' Digest, a New York financial publishing company, for $40m, a price he considered excessive.

Mr Michael Dineen, an Extel director, accused Mr Maxwell of "harrassing" the company. "He has failed twice in his efforts to take over Extel. He now appears to be following a policy of harrassing the management and interfering in the normal running of the company," Mr Dineen said.

Mr Maxwell's surprise move came exactly a week after the full takeover panel had rejected his appeal against a ban on him bidding for Extel for a year.

Mr Maxwell had backed an earlier unsuccessful £170m ($238m) takeover bid for Extel from Demerger Corporation, a specially-created company, and had said he wanted to launch a bid of his own.

His association with Demerger, however, led to a takeover panel ruling that he was acting "in concert" and prompted the 12-month ban on renewing the bidding.

By buying less than 10 per cent of Extel's shares yesterday and keeping his total below the 29.9 per cent level at which a full bid would be triggered, Mr Maxwell has kept within the rules of the takeover code.

In a prepared statement, Mr Maxwell said he intended to cast his votes against a resolution to be put to Extel shareholders on August 29 seeking approval for the Dealers' Digest purchase.

The resolution to buy Dealers' Digest requires a simple majority, however, so Mr Maxwell's stake is not large enough in itself to block the deal.

Sharp income decline at Bear Stearns

By Terry Dodsworth in New York

BEAR STEARNS, the US securities group which made a public offering in its shares last year, suffered a sharp fall in profits in its first quarter, apparently because of difficult trading conditions in July.

Net income in the three months to July fell by 20 per cent to $31m from $49m, while revenues slipped to $499.7m from $565.2m. Earnings per share dropped to 23 cents from 37 cents.

Bear Stearns said that all sectors of the business operated at high revenue levels. The company was particularly gratified by the continuing acceleration of its mergers and acquisitions activities, along with the development of its investment banking interests.

But it conceded that market conditions during the quarter, especially in July, had "caused several areas that are traditionally substantial contributors to income to operate at modest profitability."

INTERNATIONAL COMPANIES AND FINANCE

Wood Gundy launches three C$100m deals

BY CLARE PEARSON

THE CANADIAN dollar Eurobond market encountered an avalanche of new paper yesterday as Wood Gundy launched three deals each worth $100m.

Dealers expressed fears that this onslaught would use up current European retail demand for Canadian dollar bonds, which has been strong recently given the firm currency and significant yield pick-ups over US dollar-denominated bonds.

Triple-A rated Federal Business Development Bank (FBDB) brought a three-year issue, while Farm Credit Corporation, its fellow Canadian Crown corporation, borrowed five-year funds on more aggressive terms.

FBDB's issue has a coupon of 9 per cent and price of 100⅞, and provided a yield spread over Canadian Government bonds of 40 basis points at issue. Farm Credit's bond also has a coupon of 9 per cent but was priced at 100⅞, to give only a 30 basis point yield differential.

Wood Gundy's third deal, for GMAC of Canada, also looked on the aggressive side. The five-year 9½ per cent bond was priced at 100⅞ to give a yield spread of about 50 basis points over Canadian Government bonds.

All three issuers have reasonable appeal for retail investors, but a further rush of issues in the near-future seems likely to cause indigestion in the market.

Elsewhere in the Eurobond market US dollar bonds continued to trade fairly firmly. Nomura International followed up Merrill Lynch's two-tranche deal, which had one partly-paid portion, launched on Wednesday with a similarly structured offering for Postipankki, the Finnish bank.

Like Merrill Lynch's bond, the issue is in two 100m tranches, which become interchangeable in September 1987. Both are valued at 101½, but one tranche is payable as to only 21½ now and the balance in a year's time.

For the borrower, this structure significantly reduces the cost of swapping proceeds into floating-rate funds. Demand for the partly-paid tranche is limited to certain speculative investors, while the full-paid deal appeals to "mainstream" institutional bond investors.

Postipankki's $200m bond pays a coupon of 7⅞ per cent and has a seven-year life.

Credit Suisse First Boston issued a $150m three-year bond for Lockheed, US aviation company. The 7¼ per cent bond, priced at 100⅜, provided a yield of about 100 basis points over US Treasury bonds at issue.

Lockheed will use the proceeds to finance part of its acquisition of Sanders Associates, an East Coast advanced electronics company. After that acquisition, Lockheed was downgraded to A-plus by Standard and Poor's, and A-2 by Moody's rating agencies.

Dresdner Bank launched a 12-year equity warrants deal for Kaufhof, the German department store chain, to an enthusiastic reception, since Germans are taking a bullish view on the consumer sector.

The DM 150m bond has a coupon of 2 per cent and is priced at par. Warrants can be exercised into Kaufhof shares at a price of DM 485 each. The bond with warrants traded at 120 bid.

The Swiss franc market saw strong volume and prices rose by ¼ point on average. Kredietbank (Suisse) launched a SFr 100m 10-year 5⅛ per cent bond for Belgium. Lloyds Bank co-led the deal.

In the Danish crown market, Privatbanken launched a DKr 300m seven-year bond for Norwegian Christiania Bank. The bond has a coupon of 9⅝ per cent and price of 100⅝.

The Danish crown market is attracting demand from some European investors since it offers about a 2 per cent yield pick-up on Ecu bonds at the moment, although the currency was weak yesterday.

Continuous medium-term notes offering from PepsiCo

BY ALEXANDER NICOLL

PEPSICO, the US soft drinks and food group, plans to be the first corporate borrower to launch a programme of continuously offered medium-term notes in the Euromarkets.

Medium-term notes are already popular in the US, where some $35bn to $40bn are outstanding. They are offered in a similar manner to commercial paper, in that rates are constantly posted for issues of any maturity within a given range.

PepsiCo's programme will be a welcome experiment for bankers who believe that there could be substantial demand for medium-term notes in Europe and that they could become an important product for Euromarket bankers.

The borrower itself is likely to continue to have substantial funding needs as it recently agreed to pay $850m for the Kentucky Fried Chicken chain and $246m for the overseas interests of Seven-Up.

So far, the only borrower to have begun a medium-term note programme in the Euromarkets is First Interstate, the US bank holding company, which is also a major issuer in the US. Two other banks have also included the option to issue in the Euromarkets in global programmes focusing initially on the US.

Ms Janet Lavine, PepsiCo's assistant treasurer, said in London yesterday that the company's decision underlined its liking for the Euromarkets, where it has been a substantial issuer of both Euro-commercial paper and bonds. PepsiCo has made no US debt offering, except commercial paper, since 1982.

The company will not offer medium-term notes in the US. Though the offering will be registered with the Securities and Exchange Commission for technical reasons, securities will be permanently in bearer form an may not be sold back into the US.

"We view this as an investment by us in the market. Rather than deciding ourselves what the market wants, we'll wait for a little feedback," Ms Lavine said. She noted, however, that current wide spreads between Eurobond and US markets could make the Euromarkets less competitive

The new programme, due to begin towards the end of September, will effectively be an extension of the company's Euro-commercial paper issuance although it will be in PepsiCo's own name rather than that of a subsidiary.

The same four dealers will be used: Credit Suisse First Boston, Salomon Brothers, Union Bank of Switzerland and Swiss Bank Corporation International.

PepsiCo's Euro-commercial paper programme, which averages about $200m in issuance as against $1.3bn in domestic commercial paper, has proved competitive with domestic funding costs. Investors have frequently rolled over holdings and there has been virtually no secondary market trading, Ms Lavine said.

The lack of trading was welcome since the return of issued paper to the market could adversely affect pricing of new issues. She acknowledged, that there could be some trading of the one-to-five year notes which PepsiCo now plans.

As with Euro-commercial paper, the company will inform dealers each day of the rates at which it is prepared to issue for any maturity. Rates will be fixed and floating, initially only in dollars.

As with short-term paper, notes are intended to meet specific needs of investors, especially for portfolio matching purposes. However, they could appeal to a broader spread of investors because denominations are likely to be much smaller than for Euro-commercial paper: perhaps $100,000 or less.

DBS plans purchase

DEVELOPMENT BANK of Singapore (DBS) plans to take full control of National Discount Company, the island's largest discount house, Reuter reports from Singapore.

It will buy a 16.25 per cent stake held by the rival Overseas Union Bank and a 35 per cent holding from Morgan Guaranty International Finance. No price was given, but DBS said it would be based on adjusted net tangible asset value.

National Discount is one of the four main discount houses, which were expected to be transformed to become the main primary dealers for a new Singapore dollar Treasury bill market being promoted by the Monetary Authority of Singapore (MAS).

Bankers said they expect the leading Singapore local banks to emerge as the main primary dealers in the bill market.

In May, the MAS said it envisaged the issue of taxable instruments grossing S$7bn (US$3.24bn) of paper in the first year.

Novo suffers first-half setback

BY HILARY BARNES IN COPENHAGEN

NOVO, the Danish enzymes group, has been hit hard by the weakness of the dollar which has helped push earnings down from DKr 486m to DKr 390m ($50.4m) before tax for the first half of 1986.

Net income fell from DKr 338m to DKr 254m and earnings per share from DKr 13.32 to DKr 9.95, and full-year results are expected to show a decline.

Sales volume for both Novo's main products, insulin and enzymes, increased significantly but the unfavourable exchange rate meant that sales were virtually unchanged at DKr 2.12bn.

Turnover in insulin increased by about 7 per cent and volume sales by 5 per cent. Novo said it has now received final approval to produce "human" insulin by fermentation (the gene splicing technique), and plans to start production in Denmark in 1987.

Enzyme sales volume increased by 7 per cent, but turnover was down by 10 per cent owing to lower prices in the US market as well as the exchange rate factor. Novo said it was able to increase prices in the US in June, however. A new enzyme plant has just gone into operation in Japan.

Ex-Cell-O rejects Textron offer

By Our Financial Staff

THE BOARD of Ex-Cell-O, the US aerospace and electronics group, has unanimously rejected the offer from the Textron conglomerate to acquire the company for $68 a share cash or $985m.

But Mr Paul Casey, Ex-Cell-O's president, said that he planned to meet promptly with Mr Beverly Dolan, Textron president, to discuss Textron's interest in the company.

Ex-Cell-O also said it was exploring various alternatives to Textron's offer, including a combination with another company, a leveraged buyout, a recapitalisation plan or an acceleration of its restructuring plan.

Sara Lee the big US foods group formerly known as Consolidated Foods, had a flat fourth quarter, with profits of $61.6m or $1.12 a share against $60.2m or $1.07.

For the year ended June 28, however, profits were up from $206.3m or $3.60 a share to $223.5m or $4.04 despite a fall in sales from $8.1bn to $7.9bn.

Sun Hung Kai the Hong Kong financial and trading group in which Merrill Lynch has a 25.5 per cent holding, has lifted both earnings and dividend for the six months to June.

The performance follows a period of management turbulence in 1985 when Paribas of France returned control of the company to Mr Fung King Hey, its founder, by selling him back its own 25.5 per cent stake for HK$227m (US$29.1m). Within six months, however, Mr Fung had died.

Leucadia National, the US financial services group, plans to sell its consumer finance operations to Great Western Financial, the savings and loan concern. Terms were not disclosed but Leucadia will record a pre-tax gain of $80m from the deal.

The company said a substantial portion of the gain would be sheltered from federal income taxes by available tax-loss carry-forwards.

UK opens electronic share link with US

BY ALEXANDER NICOLL IN LONDON

THE CLEARING organisations of the US Midwest and London Stock Exchanges yesterday unveiled an electronic link designed to increase the efficiency and reduce the cost of buying and selling shares across the Atlantic.

The arrangement will initially operate only in one direction, providing UK brokers with the same facilities for settling transactions in US securities that are available to US brokers domestically.

Existing methods of settling US deals are notoriously unreliable and costly for London brokers. The link could halve the direct costs of dealing in US stocks, as well as speeding up the process considerably and cutting indirect costs such as financing. In the US, brokers' positions are settled on a net basis, in contrast to the UK, where each transaction is settled separately.

The two bodies hope by the end of the year to offer US brokers the ability to settle UK stock transactions through the link and to expand it into a full automated bridge between their systems providing clearing, custodial and stock lending services.

The Chicago-based Midwest Clearing Corporation is the second largest in the US, handling about one tenth the volume of the largest, the New York-based National Securities Clearing Corporation, with which the London exchange is also holding talks.

The Midwest body, and its companion Midwest Securities Trust Company, handle all US securities which are eligible for deposit in the US – some 350,000 – and not just those which are listed on the Midwest Stock Exchange.

Links between the London exchange's Talisman system and its overseas counterparts underline the internationalisation of securities markets and stock exchanges' attempts to streamline cross-border trading. Talisman has offices in Australia, acts as agent for the French, West German and Japanese clearing systems and is discussing a more extensive link with Japan. The London exchange has also held talks with Euroclear and Cedel, the clearing systems for the Eurobond market.

Mr Michael Baker, director for settlement services at the London exchange, said the new link was part of a plan to enable customers to use Talisman to clear any security which was traded in the European time zone.

So far, only Capel-Cure Myers, the London stockbroker, is hooked up to the pilot programme.

Computer unit cuts 500 jobs

By Louise Kehoe

CONVERGENT Technologies, the California microcomputer maker, has cut 500 jobs – more than 20 per cent of its workforce – because of a steep decline in orders from AT&T. At the same time the company has created a subsidiary to accelerate its efforts to enter the turnkey computer system market.

In 1985 its sales to AT&T amounted to $155m, representing 48 per cent of Convergent's total revenues. But sales of AT&T's Unix personal computer, built by Convergent, have been slow.

Securities firm to raise capital

By Robert Gibbens in Montreal

DOMINION SECURITIES Pitfield, Canada's largest investment dealer, is planning a public equity issue to raise about C$100m ($72m) next month, bringing total capital to more than C$250m. It would give the company twice the capital of its nearest competitor.

The capital is needed to handle growing underwriting investment banking and brokerage business. The company, based in Toronto, plans to change its name to Dominion Securities at the end of September.

Leighton returns to black for second half

By Robert Kennedy in Sydney

LEIGHTON Holdings, the Australian contractor, has lived up to its promise to return to the black in the second half. But it still turned in a A$12.71m net loss for the full year to June, and is omitting the dividend. Last time it paid 12 cents.

There was a profit of A$1.5m (US$923,500) in the second half, a turnaround from the A$14.2m loss seen at halfway. But the company continued to be plagued by problems with Green Holdings of the US and a Queensland dam project. Most other operations were profitable.

Turnover was 34 per cent ahead at A$1.14bn. The loss for the 12 months excludes extraordinary debits of A$5.16m.

For the whole of 1985-86 there was a profit of A$13m. Leighton said yesterday that the second half had been adversely affected by a further trading loss from Green, which was compounded on translation.

Leighton expects the recent improvement to be sustained, and forecasts a profitable 1986-1987.

Hochtief of West Germany holds a 42 per cent interest and injected A$30m into the company when problems became apparent at the end of last year.

Tokyo may ease limit on loans by insurers

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance is considering a substantial easing of restrictions on overseas yen-denominated loans by life and non-life insurance companies, possibly by next week, in another step to promote capital outflow and help arrest the yen's appreciation.

The Ministry is expected to remove the existing rules which limit the insurance companies' share to less than 50 per cent for syndicated loans with maturities of longer than 20 years. It may also scrap another rule limiting the half-yearly rise in lending to 10 per cent of the companies' increase in total assets, while the ceiling on an overseas yen loan by a single insurance company will be lifted to Y5bn from the current Y2.5bn.

Removal of the restrictions on offshore lending is also intended to broaden competition in a market previously dominated by Japanese commercial banks, and to promote sound asset management by the insurance companies, which have been requesting relaxation of the restrictions for more than two years.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on August 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	103¼	103¾	+0¼	+1½	9.39
Atlan. Richfield 10¼ 00	250	108⅛	108⅝	+0⅜	+1⅝	9.16
Australia Com. 11 95	200	116	116⅜	+0⅜	+1⅛	8.33
Australia Com. 11¼ 00	100	115⅝	116⅛	+0⅜	+1¼	9.17
BP Capital 9⅛ 95	300	104¼	104¾	+0½	+1⅞	8.29
BP Capital 11⅛ 92	150	110⅛	110⅝	+0½	+1½	8.64
Campbell Soup 10½ 95	100	111⅞	112⅜	+0⅜	+1⅛	8.52
Canada 9 96	1000	107½	108¼	+0¼	+1¼	7.81
Canada 11½ 90	500	113¼	113¾	+0¼	+1⅛	7.09
Canadian Pac. 10¾ 95	100	109¼	109⅞	0	+1¼	8.81
CEPME 10⅛ 91	100	108⅞	109⅛	+0⅛	+1	7.90
Citicorp 10 88	200	105⅛	105⅝	+0¼	+0⅞	7.07
Credit D'Equip. 7¾ 91	100	†101¼	102¼	+0⅜	+0½	6.89
Credit Lyonnais 9 91	200	104¾	105¼	+0⅛	+0⅞	7.63
Credit National 9⅛ 93	150	105¼	106¼	+0⅛	+1⅛	7.90
Denmark Kingdom 7¾ 95	250	99¼	99⅞	+0¼	+1⅛	7.81
Denmark Kingdom 8¾ 91	500	102½	103	+0¼	+1	7.55
Denmark Kgdm. 11½ 92	100	116⅛	116⅝	+0⅜	+1¼	7.78
EDC 8½ 92	100	103¼	103¾	+0¼	+1¼	7.69
EEC 8¼ 96	100	102⅞	103⅜	+0¼	+1½	7.78
EEC 8⅝ 91	150	105	105½	+0½	+1¼	7.28
EEC 9⅜ 90	350	106¼	106¾	+0⅛	+0⅞	7.65
EIB 10¼ 94	200	111	111½	+0⅛	+0⅞	8.30
EIB 12 95	200	123¾	124¼	+0¼	+2	8.02
Eli Lilly 10¾ 92	150	111¾	112¼	+0¼	+1	7.72
Export Dev. Cpn. 10 90	100	109	109½	+0¼	+1⅛	7.12
Fed. Dep. Strs. 10⅛ 95	100	111¼	111¾	+0⅜	+1½	8.25
Ford Motor Cred. 10½ 91	150	109⅝	110⅛	+0¼	+1⅛	7.89
Ford Motor Cred. 11⅜ 90	100	110½	111	+0¼	+1⅞	7.73
Gen. Elec. Cred. 10¾ 00	200	107	107½	+0⅛	+1	9.29
GMAC 10¼ 89	200	107⅛	107⅝	+0¼	+0⅞	7.23
GMAC 8½ 93	200	102⅜	102⅞	+0⅜	+1½	7.98
IADB 9⅞ 95	200	111¼	111¾	+0¼	+1½	8.06
IADB 10½ 95	150	115½	116	+0⅜	+1⅜	7.99
Merrill Lynch 8¾ 91	100	103⅝	104⅛	0	+0¼	7.81
New Zealand 7¾ 90	100	100¼	100¾	+0¼	+1	7.58
New Zealand 8¾ 93	150	101⅜	101⅞	+0½	+1¼	7.91
Pepsico Inc. 7⅝ 93	200	97	97½	−0⅛	+1⅛	7.91
Proct. & Gamb. 'A' 9⅞ 92	150	106⅝	107⅛	+0¼	+1⅞	8.41
Pru Realty Secs. 12⅛ 95	546	117¼	117¾	+0¼	+1¼	9.05
Qantas Airways 10⅝ 95	140	112⅜	112⅞	+0½	+1½	8.31
Queensland Govt. 10¼ 95	100	110⅝	111⅛	+0½	+1½	9.48
Ralston Purina 11¼ 95	150	113¼	113¾	+0¼	+2	9.39
Saab Scania 9½ 91	125	105⅜	105⅞	+0⅛	+0⅞	7.94
Saskatchewan 10¼ 92	100	113⅛	113⅝	+0⅜	+1½	7.68
Scandinavia Air. 10⅛ 95	150	110⅞	111⅜	+0½	+1⅜	8.34
State Bk. S. Aust. 9¼ 93	100	†103	103½	−0⅛	+0¼	8.56
Statoil 10 90	170	107¼	108¼	+0¼	+1	7.60
S. Wales Trsy. 11¼ 90	150	111⅞	112⅛	+0⅜	+1¼	7.84
Swed. Exp. Cred. 10 92	100	110¾	111¼	+0⅜	+1½	7.57
Sweden 8¾ 96	200	105½	106	+0⅜	+1⅜	7.86
Sweden 10¼ 92	250	112¼	112¾	+0½	+1¼	7.65
Sweden Kgdm. 10⅞ 90	200	111⅛	111⅞	+0⅜	+1¼	7.21
Sweden Kgdm. 11⅜ 94	100	117	117½	+0⅛	+1	8.73
Toyota Motor Cred. 8 89	100	101¼	102¼	+0⅜	+0⅞	7.19
Victorian Rep. 11⅛ 92	150	114⅛	114⅝	+0½	+1¼	8.29
World Bank 8½ 2016	150	95⅞	96¼	+0¼	+2¼	8.88
World Bank 9¼ 2016	300	103⅞	104⅜	+0⅜	+1¼	8.94
World Bank 9⅜ 2016	300	106⅜	107⅛	+0⅛	+2	9.06
World Bank 10⅛ 95	300	114⅛	114⅝	+0⅜	+1⅞	7.83
Yasuda Trust Fin. 8½ 93	100	102⅛	102⅝	0	+0⅞	8.01

Average price changes on day +0¼ on week +1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	109⅝	110¼	+0⅛	+1⅞	6.38
Austrian Elec. Co. 6½ 95	150	101⅞	102⅛	0	+0⅝	6.24
BMW 5¾ 96	200	92¼	93¼	−0⅜	−0⅛	6.23
Daimler Benz Int 5¾ 01	500	96½	97	0	0	6.09
Dow Chemical 5⅝ 96	300	94¾	95¼	0	+0⅛	6.32
Dow Chemical 6¾ 95	300	104⅛	104⅞	+0⅛	+2	6.09
EIB 5½ 98	150	95¼	96¼	0	+0⅜	5.98
EIB 6⅞ 95	300	104⅞	105⅜	+0⅛	+0⅜	6.13
EIB 7¼ 94	300	105¼	106¼	+0⅜	+0⅞	6.28
Emhart Corpn. 6¾ 95	175	101⅞	102⅜	+0¼	+0½	6.41
Eurofima 6¼ 96	100	101⅛	101⅝	+0⅛	+0⅛	6.06
Ex.-Im. Bk. Korea 7⅜ 90	100	104⅛	104⅞	+0¼	+0½	6.31
Finland Republic 7 92	200	104¼	104⅞	0	+0⅛	5.99
Hoesch Int. Fin. 7 95	100	103⅞	104½	−0⅛	+0⅛	6.39
Hydro Quebec 5½ 96	125	95	95⅛	0	+0⅛	6.16
Hydro Quebec 6 2016	150	95	95½	0	+0⅛	6.36
IBJ 5⅝ 96	200	96⅛	96⅝	−2⅛	+0⅛	6.13
Ireland 8⅛ 92	150	108⅛	108⅝	−0⅜	0	6.93
I/S Elsam 6¼ 93	125	100⅜	101⅛	+0⅜	0	6.09
Korea Dev. Bank 6⅛ 93	100	98	98½	0	+1½	6.95
Mitsubishi M. 3⅛ 89 WW	100	106½	107	0	−0⅛	1.06
Mitsubishi M. 3⅛ 89 XW	100	93	93½	−0⅛	−0¼	5.37
Renfe 7¾ 95	100	106⅞	107⅜	+0⅜	+0¼	6.64
Soc. Cent. Nuclear 7¼ 95	150	103⅞	104⅜	−0⅛	−0⅛	6.62
Soc. Cent. Nuclear 8 91	100	106¼	106	0	0	6.43
Straweg 5½ 96	100	93½	94	0	+0½	6.38
World Bank 7 95	600	105½	106	−0⅛	+0⅜	6.15
Yorkshire Intl. 6¼ 2001	200	95¼	96¼	0	+0¼	6.68

Average price changes on day +0 on week +0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Corpn. 5⅝ 94	150	†103¼	103½	0	+1	4.87
Brit. Land Comp. 6½ 99	75	†104½	104¾	−0½	−1	5.98
Chrysler 5¾ 96	160	†103⅛	103½	+0⅛	+1¼	5.30
Council of Europe 6 92	120	†103½	103⅞	−0½	−0⅜	5.30
Creditanstalt 5½ 94	100	†101⅞	102	0	−0¼	5.21
Deutsche Bk. Fin. 5⅜ 95	300	†105⅛	105¼	0	−0¼	4.65
Gen. Occidentale 4½ 94	80	†116½	116¾	0	−0¼	2.29
Glendale F.-S&L 5½ 95	100	†100½	100⅞	+0¼	+0⅛	5.41
Humana 5¾ 98	120	†98¼	98½	+0¼	0	5.31
Ind. F. Finland 5¼ 94	40	†101½	102⅜	0	−0⅜	5.50
N. Zealand Steel 5¾ 96	70	†101	101¼	+0½	0	5.60
Oberoe. Kftwk. 5⅜ 95	100	†103	103¼	+0⅜	+1¼	4.91
Olivetti Intl. 5½ 95	100	†104	104¼	0	−0⅛	4.92
Pepsico 5¼ 95	150	†104	104¼	0	0	4.65
Philbro-Salomon 5⅛ 97	110	†101	101¼	−0½	+0⅜	4.99
Ralston Purina 5⅝ 94	125	†102¼	102½	0	−0¼	5.01
Settsu Euro. 0 2001	100	†47	47¼	0	0	5.30
Tokyo Elec. Pwr. 5½ 93	120	†104	104¼	0	+0½	4.73
Tokyo Metropolis 5¼ 94	80	†102¼	102½	+0⅛	0	4.89
World Bank 5¼ 94	150	†103½	103¾	+0¼	+0⅛	5.20

Average price changes on day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. Os. Cr. 5⅞ 91	20	99¼	100¼	0	0	5.86
Denmark 6⅛ 96	10	103½	104⅛	−0¼	−0⅛	5.85
Dow Chemical 6⅛ 01	25	96⅞	99⅞	−0⅛	+1⅞	6.46
EIB 6⅛ 96	25	102½	103	−0⅛	+0¼	5.74
Province de Quebec 6 98	20	99⅝	99⅞	0	+1¼	6.06

Average price changes on day −0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amcn. Co. Ot. Cr. 0 91 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bremer Lndbk. 12¾ 91 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiat Finance 14½ 89 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 12¾ 89 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Landsbk. Rhein 13 89 AS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¾ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Corp. 10 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar Fin. 11¼ 93 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9¼ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 10¼ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Acc. 10¾ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola F. C. 17 90 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 17¼ 89 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever Cap. 17¼ 89 NS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen City 9 95 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8¾ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Walt Disney 8¾ 94 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Mtr. WW 3¾ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Mtr. XW 3¾ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thyssen 7¾ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wereldhave 7¾ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen 6¾ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev 11 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC UK Fin. 10⅞ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chem. Inds. 10 03 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chem. Inds. 10½ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Invst. in Inds. 10 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds Bld. Soc. 10⅞ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds 10⅞ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nationwide 8½ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSW Treasury 10⅞ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insce. 10⅝ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. Sainsbury 10⅞ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tsthee. Forte 11¼ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 11¼ 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CoE 8⅝ 93 LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8¾ 93 LFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Alliance & Leic. Bldg. £ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Montreal 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Bank Perp. 1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Bank Perp. 2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium, Kingdom of 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 5¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britannia 5 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCF 5¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 5 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 3¾ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Halifax Bldg. Soc. £ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Bank Perp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank 2001 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milk Mrktg. Board 5 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. A	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest Perp. B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 5 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 5 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Corps. 4 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Scotland 5 Prp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 5 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woodside Financial 5¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich 5 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day +0.01 on week +0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fanuc 3¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuji Heavy Inds. 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui 3⅛ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta Camera 2¾ 94 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Bank 2¾ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Elec. 2¾ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui 1⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata 3¼ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Elec. 2¾ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil Co. 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKI Elec. Ind. 3¼ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sanwa Bank 2¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui House 3 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bank 2¾ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Corp. 3¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Yuden 3¼ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Ceramics 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil Co. 3 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Shinpan 2 92 SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renown 3¼ 00 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

David Brown on the Federal Republic's changing retailing patterns

German stores switch sales tack

WEST GERMANY'S department stores have run down the shutters on their mid-year sales, ending a summer of unusually sharp price cuts as the stores bid to lure in the customers and empty out their laden shelves.

If 1986 was supposed to herald a dramatic recovery for the hard-pressed retailers, fuelled by lower inflation and interest rates coupled with a government tax-cut boost to consumer spending, the first half did not live up to expectations.

Yet the retailing sector—after quite a few uncomfortable years and still in a difficult process of adjustment to changing consumer tastes—is nonetheless hoping 1986 will bring the recovery it has been waiting for.

By the end of May, turnover overall in the retail trade had climbed in real terms by some 3.8 per cent from the same point a year earlier, indicating the start, the Government says, of an upturn in consumer spending.

But even if the upturn in consumer demand reaches the expected 5 per cent for the whole of this year, its impact will be felt differently within the retail trade.

There have been important longer-term shifts in the pattern of demand in West Germany in the last two decades—with strong indications of market saturation in consumer goods, and a move towards services, leisure and higher-priced goods.

Consumer spending in retail stores overall is dropping as a percentage of both personal consumption and disposable income.

If any group of retailers has benefited from this development, it is the upmarket and specialist outlets, especially those like Hussel which combine holdings in both speciality retail and discounting chains.

For example, between 1982 and 1985, apparel and sporting goods sales climbed by 52 per cent. But during the same period, the department stores registered a sharp decline in turnover real terms. In recent months, this trend has slowed and now reversed, but only slightly.

The biggest department store group, including Karstadt, Kaufhof and Horten, have been struggling, some say too slowly, to adjust to this changing home market. Between 1981 and 1985 their share of the overall German retail market shrank from 10 per cent to 6 per cent.

Karstadt, in which Dresdner Bank and Commerzbank each have a 25 per cent shareholding, is the largest of the three. While it once found that "everything under one roof" was a profitable way of doing business, last year sales of some DM 12.01bn ($5.8bn) produced earnings of only DM 37.1m.

Looking at its slipping market share in the mid-1970s, Karstadt undertook a diversification which brought it into the

travel business, mail order, catering, and optometry. These now account for about 25 per cent of total sales.

But these moves had mixed success, possibly due to a poor choice of acquisitions, and Karstadt says the first steps in yet another three-year restructuring programme will cost a further DM 50m in extraordinary costs this year.

This time, the company hopes to get it right: adjusting to the changing habits and tastes of shoppers by, for example, bunching merchandise into more individualistic shops dealing in photography, sports clothes and such.

The group's NUR travel subsidiary, which has been a problem since its acquisition in 1976, also faces further pruning following the German cartel office's decision late last year to reject its application to merge with ITS, a competitor owned by the Kaufhof group.

Still, sales in the first half climbed by 3 per cent to DM 4.2bn, and Mr Walter Deuss, the managing director, seems confident the group can turn in an "improved" result for the full year despite the extraordinary costs and a still-languishing mail order business.

Horten, now part of the BAT group of the UK, continues to produce losses, but has disposed of one important loss-making subsidiary and is in the process of selling another as part of a "final streamlining."

It, too, has attempted to create a speciality store image, by, for example, adding fashion boutiques and computer shops. Turnover in the first five months of this year climbed over 20 per cent to DM 1.3bn and "a good result" is forecast by the management for 1986-87 as a whole.

Kauhof also appears to have achieved some success in its attempt to counter lower consumer demand by boosting its services sector, and expanding its specialist subsidiaries such as McFash and Saturn.

Sales rose by 7.3 per cent in the first four months this year to DM 2.86bn, with department stores accounting for only 60 per cent of the total.

Keppel cuts losses sharply in first half

By Our Financial Staff

KEPPEL, the Singapore state-controlled shipyard, sharply reduced net losses in the half-year to June as the benefits of a restructuring took hold, and expects "further improved results" for the second half which should allow it to break even for the year.

The net deficit came down to S$4.24m (US$1.96m) from S$27.02m, on reduced turnover of S$257.82m compared with S$300.86m. A dividend has not, however, yet been restored.

Keppel slid into loss in 1984, attributed largely to its acquisition of control at Straits Steamship—which yesterday reported a return to S$4m net profits for its first half, against losses of S$4.43m.

In contrast to Keppel turnover at the quoted subsidiary edged up to S$91.34m from S$90.56m.

Far East Levingston Shipbuilding, a third arm of the Keppel group, edged net earnings 2.5 per cent higher at S$6.12m, on revenues halved to S$33.17m from S$67.09m.

In issuing the break-even forecast for the Keppel group, Mr Sim Kee Boon, the chairman, said financial costs had been reduced from S$30m to S$21m as a result of lower interest rates, reduced borrowings, and asset sales.

Special items push Benguet back into black

By Our Financial Staff

BENGUET CORPORATION, a leading copper and gold producer in the Philippines, returned to the black for the first half to June, reporting net earnings of 72.7m pesos ($3.57m) against year-earlier net losses restated at 38.3m pesos.

The sharp turnround, however, largely reflected extraordinary items relating to partial deferred income taxes and deferred foreign exchange obligations. These brought a 25.7m peso gain for the latest six months, compared with a debot of 77.2m pesos which the previous year was responsible for the attributable loss.

Revenues increased from 1.61bn pesos to just on the 2bn peso mark.

For the second quarter alone—when revenues reached 1.04bn pesos against 888.1m pesos—net profits were 37.5m pesos, up from earnings of 4.5m pesos. The earnings included extraordinary gains of 1.6m pesos for the 1986 quarter against losses of 16.4m pesos.

The restatement of 1985 results is to allow for accounting changes.

Jardine in control

MR SIMON KESWICK, chairman of Hong Kong's Jardine Matheson, has reiterated plans to retain its controlling 35 per cent interest in Hongkong Land as a strategic long-term investment, Reuter reports from Hong Kong.

Mr Keswick, who also heads Hongkong Land added that Jardine, which wants Land to spin off its Dairy Farm foods subsidiary, may also support a similar move for its Mandarin Oriental Hotel unit.

Growth at Daewoo

DAEWOO Corporation, the trading and construction arm of South Korea's Daewoo group, boosted earnings 26.2 per cent in the first half of this year to 9.9bn won ($11.19m) as sales increased 23 per cent to 1.991bn won, AP-DJ reports from Seoul.

UK COMPANY NEWS

US recovery lifts Royal to £87m

Royal Insurance, Britain's largest composite insurer, staged a £105.2m turnaround to profits of £87.4m pre-tax in the first half of 1986 mainly reflecting a continued recovery in North America.

Group underwriting losses were halved from £218.7m to £109.5m, largely due to a £78.7m reduction to £50m in the US.

However there was unfavourable market reaction to the result, which was accompanied by a 14 per cent lift to 10.5p in the interim dividend, with the shares initially losing 12p before closing at 824p, down 7p. Analysts had been looking for profits around the £94m mark.

First half earnings per share were 30p against losses of 6.3p.

The second quarter produced a £58m profit, virtually double the £29.4m attained in the first three months.

Royal's US operations earned £33m pre-tax in the first half, against a loss of £43.7m, while Canada turned round from losses of £9.3m to profits of £8.8m.

All operating companies achieved better insurance results to produce a worldwide general insurance profit of £24.8m, compared with a loss of £81.4m, after including allocated investment income.

Mr Alan Horsford, group chief executive, yesterday countered fears of an imminent end to the US recovery. The Jeremiahs are already talking about the next downturn, he said, but in addition to continuing strong premium increases "there are other important influences which should help maintain a better market discipline than in the cycle we have just come through."

In particular, he said that the much lower level of interest rates and forthcoming tax changes would call for bigger profits to be earned "if bottom line revenues are to be maintained."

In the UK first half taxable profits almost doubled from £12.8m to £23.9m. Despite £40m of weather losses, up from £37m last year, the position, said Mr Horsford, was not unsatisfactory except in the motor cacount where both frequency and average claims costs were worse than expected.

"Good progress continued to be made in Canada and the prognosis there is becoming more favourable. For the 14 per cent of our direct non-life business in the rest of the world the outcome was adversely affected by losses in Europe and New Zealand but some improvement is expected in the second half. More favourable conditions in the major reinsurance markets continue to underpin Royal Re's own remedial measures," he said.

The half year saw further expansion by Royal Life Holdings in the financial services field, while the new business development of Royal Heritage Life "is so strong that we are retaining revenue profits within the company to support the new business."

Mr Horsford added that "with trading conditions for all our major operating companies in reasonably good shape, the profit outlook for the remainder of the year is quite promising."

See Lex

Beazer moves into Yorkshire for £13m

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BRITAIN'S fastest-expending building company, C. H. Beazer of Bath, has bought part of food distributor Christian Salvesen's house-building operations, the Doncaster-based Whelmar (Yorkshire) for £12.6m.

Yorkshire is the first of five regional housebuilding operations within Salvesen's properties division to be sold following its decision to withdraw from housebuilding.

Salvesen announced last month that it wanted to sell its entire housebuilding operation for about £50m to concentrate on its warehousing and cold storage activities.

Christian Salvesen had been disappointed with the "below average" performance of its building division. The five regional operations together made a pre-tax profit last year of just less than £5m on turnover of about £80m and in the year ended March 31 Yorkshire made an operating profit of approximately £1.9m from a turnover of £14.8m.

The consideration will be payable in cash to be raised by a vendor placing of £5.91m new Beazer ordinary shares of 10p each which will be applied initially to reduce Salvesen's borrowings. Net value of Yorkshire assets at March 31 was around £10m.

Beazer decided to buy only the Yorkshire division as this fills a gap in its own operations. The company is planning to expand its new acquisition's output from its present level of 350 houses a year by taking advantage of its "substantial" land bank, said Beazer's investment director Mr Matthew Thorne.

"We also hope to increase profitability through increasing volume and to reduce costs by dovetailing with our existing housebuilding activities," he added.

Beazer is already near the top of the league of Britain's biggest house-builders. It had an output of 5,000 houses in 1985-86 and plans to increase this to 6,000 in 1986-87.

One problem for Salvenesen's house-building division was that it did not have a presence in the highly profitable south east of England, where Beazer is already heavily represented.

Chairman Mr Brian Beazer's next major acquisition, will, he hopes, be a building materials company.

Expanding Hambro Countrywide tops £6m

THE BOOMING residential property market has helped Hambro Countrywide, the estate agent 60 per cent owned by Hambros Bank, to announce pro-forma pre-tax profits for the six months to end June of £6.17m—up 83 per cent over the same period of 1985.

Also announced were full year figures for Mann and Co, showing pre-tax profits of £4.32m.

Hambro Countrywide was formed by the merger of Bairstow Eves and Mann and Co in June.

The full group completed sales on over 23,400 homes, compared with under 16,000 in the first half of 1985 and mortgages were arranged to the value of £200m. Turnover was £25.1m, a 49 per cent increase on the comparable period last year.

Mann's figures, before tax and exceptional items, were up 30 per cent on the previous year and earnings per share were 27 per cent higher at 13.3p.

A final dividend of 3p net will be paid, making a total of 4.6p for the full year, compared with the 3.5p which was forecast when Mann was floated in March 1985.

The purchase of Furlongs, the south-eastern estate agency with 21 branches, has now been completed through the vendor placing of 460,000 Hambro Countrywide shares at 330p each. Also announced was the acquisition of Ball and Percival, with six offices in Lancashire, for £1m, phased over three years. Hambro Countrywide now has 389 offices.

The financial year for Mann & Co has been changed and the next report for the group will be for the full year to December 31, 1986.

● **comment**

It would be astonishing if an estate agency chain did not show surging profits at a time of a residential property boom. What adds spice to the progress for Hambro Countrywide are the opportunities for selling financial services down a client list with good credit ratings. Around 20 per cent of clients now buy some sort of financial product along with their home: *the group target is 30 per cent penetration*. If that can be achieved, and the new acquisitions kick in their expected growth, then the group's profits should grow, whether or not the property boom continues. With close on 400 branches, Hambro Countrywide has no *need to pay the kind of fancy* prices commanded by most estate agents these days and can afford to open branches of its own at a much lower cost. For the full year, profits of £13.5m would put the shares at 295p on a p/e of 17, which fairly reflects the growth prospects.

Further changes planned for Peek Hldgs

By Charles Batchelor

FOR THE second time in 18 months Peek Holdings, a small, loss-making grain and animal foods group, has become the focus for a South African businessman's ambitions to develop a UK business empire.

Mr Kenneth Maud, a 42-year-old South Africa entrepreneur yesterday announced plans to acquire control of Peek, which in effect is a "shell," by means of a capital reconstruction of the company.

Mr Maud recently resigned as deputy chief executive of Allied Technologies, South Africa's largest electronics and electrical equipment group, sold his shareholding in the company and moved to Britain.

Mr Maud said: "I want to develop Peek as an industrial holding company supplying middle-tech products in fields such as pneumatics, hydraulics and electronics. Initially we would go for distribution *rather than manufacture.*"

Peek's previous encounter with a South African businessman was in early 1985 when Mr Hugo Biermann and his British partner, Mr Julian Askin, used Peek to launch a reverse takeover bid for Energy Services & Electronics, *an electronic rental* and maintenance group.

The two men planned to inject £6m into Peek and become joint chief executives if the bid succeeded. It failed, however, by the narrowest of margins in May 1985 after a spirited defence by ESE.

Mr Maud said Mr Biermann and Mr Askin had drawn his attention to Peek and introduced him to its bankers, Hambros.

The capital reconstruction would take the form of the subscription of 50m shares at 3p each by Javelin, a specially - created company controlled by Mr Maud's family trusts, to raise £1.4m, net of expenses.

After the completion of the subscription Javelin would own 30m Peek shares of 50.8 per cent, with the remaining 20m shares being placed with institutions and other investors.

The existing ordinary share capital of Peek would be subdivided with each 7p share becoming one new ordinary 3p share and one deferred 4p share. The deferred shares would have no right to income and would not be listed so shareholders would be asked to approve a capital reduction to cancel them.

Peek's directors are backing this proposal with their 5.2 per cent holding while other shareholders owning 36.2 per cent have indicated they will vote in favour at a special meeting called for September 12.

Peek earlier reported a pre-tax loss of £596,577 in 1985, compared with a previous profit of £7,000. It had net current liabilities of *£722,603 at the last year end.* Its shares were suspended yesterday at 19p to value the company at £1.72m.

Viewplan talks off : shares down by 21p

By Alice Rawsthorn

Shares in Viewplan, the USM-quoted broadcast equipment hire company, fell by 21p to 53p yesterday on the announcement *that* its takeover talks had been terminated.

In early August, little more than a week after unveiling a sharp fall in pre-tax profits, Viewplan announced that it had begun discussions with an unnamed company—which *was thought to come from the* same sector—with a view to being taken over in an agreed *bid.*

The discussions ended yesterday, by mutual agreement, because, according to Viewplan's chairman, Mr Stephen Lakin: "It was felt that this was not a good time for us to be taken over."

Mr Lakin stressed that Viewplan had staged a recovery since the end of its last financial year. "Our problems in the second half of last year were caused by extraordinary circumstances,

Manchester Ship

The takeover battle for Manchester Ship Canal flared up again yesterday when Gresham House, the investment trust which, with associates, holds 3.4 per cent of MSCC's ordinary shares, said it would not be accepting the "derisory" £37m bid from Highams, the industrial textiles group.

Highams has declared its bid unconditional since it holds over 50 per cent of the equity, but it only holds about *30 per cent of the votes. It* too intends to split its holding to increase its voting power.

BBA doubles profits and makes £69m rights issue

BY PHILIP COGGAN

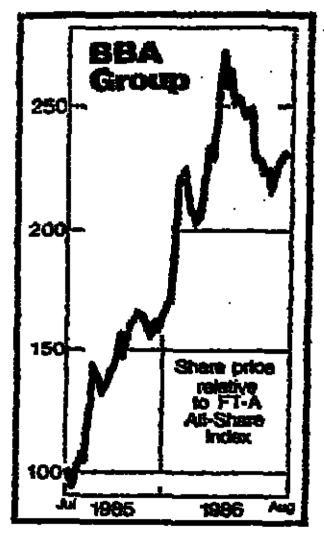
BBA Group, the fast-growing *friction materials* and conveyor belt company, yesterday announced a £68.7m rights issue showing a 107 per cent increase in the *pre-tax* profits.

However, the 1986 figures include a three-and-a-half month contribution from recent acquisition Automotive Products, as well as first time results from other acquisitions.

Proceeds from the rights issue will be used to repay BBA's borrowings, which after the AP acquisition reached £113.2m, a gearing level of 82 per cent. That level should *fall* below 30 per cent after the rights.

The one-for-four issue is priced at 190p per share, a 17.4 per cent discount to Wednesday's closing price. Yesterday, the shares closed down 17p at 213p.

Pre-tax profits for the six months to June 30 were £12.4m, compared with £6.0m in the first half of 1985. There were exceptional costs of £1.5m, *relating to rationalisation* measures, in particular at Mintex Don. With the help of a cut in the tax charge from 47.2 per cent to 33.1 per cent, *earnings per share rose by 52.9 per* cent from 4.01p to 6.13p.



Turnover for the first half was £230.2m, compared with *£104.3m in the same period last* year, and was split between £112.6m from overseas companies and £107.6m from the UK. Automotive and engineering activities now account for 84.7 per cent of total sales with conveyor belting and industrial textiles making up the balance.

The chairman, Dr John White, reported good results from the West German subsidiary, Textar, and from the US belting interests, following the acquisition of Uniroyal's rubber belting business *on last* October. However, in the UK, demand for automotive replacement parts was particularly weak and this resulted in lower UK profits than expected.

Profits from AP were slightly up over the corresponding period last year and Dr White said he was "extremely pleased" with the acquisition. However, he added that "the benefits from the acquisition in Australia and the rationalisation benefits deriving from the acquisition are expected to appear later this year with the full effects appearing in 1987."

The interim dividend of 1.0p per share, an increase of 19 per cent, will be paid on November 13, two months earlier than normal. From now on the final dividend will be paid in May rather than July.

See Lex

Management buy-out for Phicom's data division

BY CHARLES BATCHELOR

Phicom, the loss-making electronics group, plans to sell the second of its three divisions in a move which would reduce the company to less than a third of *its present size in terms of sales.* It last month announced talks were under way to dispose of one of its business areas.

Phicom yesterday said that it had reached agreement on a management buy-out worth a total of £7m for its data communications division. Talks are *continuing meanwhile* with BICC, the cables and construction group, for the sale of Phicom's electronic enclosures division, which makes cases, racks and consoles for electronic equipment.

These two sales would leave Phicom with its life sciences division, which makes equipment for preparing and analysing medical samples. This division contributed £950,000 of operating profit and £13m worth of sales to the group totals of £2.6m and £45.5m in 1985. In the first half of the current year however Phicom moved into a loss.

As a result of these planned disposals Magnum Corporation Berhad, the Malaysian group which owns 61 per cent of Phicom's shares, has dropped *previous plans* which could have led to it selling its holding. It has now decided in principle not to pull out.

Mr Denis Sewell, finance director, said Phicom began valuing its businesses when the possible Magnum share sale was considered. This led to the management of Trend Communications, its data communications division, offering to buy their company.

Providing shareholders agree Phicom will sell Trend to Surdidit, a newly-formed company controlled by several Trend directors, for £5.9m cash, *including* loan repayments, while Surdidit will take on Trend's £1.12m bank overdraft.

The sale price is £480,000 higher than Trend's book value. Trend made a pre-tax profit of £1.8m on sales of £19m last year.

Phicom's shares were unchanged at 25p yesterday.

Appleyard first half rise

Motor dealing and finance concern Appleyard Group pushed up its pre-tax profit from £858,000 to £1.15m in the half year ended June 30 1986, and is looking for a "most encouraging" full year result.

August car deliveries are again at a high level.

Despite continued highly competitive trading conditions, the motor company again improved its performance in the number of units sold and in margins. The jointly owned finance company expanded its contract hire and leasing fleet, but its contribution fell to £217,000 (£254,000). A recovery is expected in the second half.

... in the half year rose 15 per cent to £91m while operating profit expanded 32 per cent to £1.56m. But financing the higher turnover led to an increase in interest to £629,000 (£581,000).

After tax £100,000 (£177,000) earnings came out at 13p (8.4p) per share. The interim dividend is raised to 1.75p (1.5p).

On developments the directors said in Leeds the newly segregated and enlarged premises for Jaguar, Daimler, Rolls-Royce, Bentley and Range Rover, opened in May.

A new chief executive, Mr Michael Williamson, joins the company next week. The previous managing director left at ... April.

Gnome Photo profits fall to £384,000

1986 Gnome Photographic Products only maintained its turnover, at £1.98m, and operating profit fell from £257,000 to £204,000.

But other income of £180,000 (£157,000) offset that somewhat, and gave a pre-tax profit of £384,000 (£414,000).

Other income comprised interest and dividends received £108,000 (£100,000) and profit on sale of quoted investments £72,000 (£57,000).

After tax £140,000 (£163,000) the attribution profit came to £244,000 (£251,000) for earnings of 9.7p (£9.99p). The dividend is held at 6.5p net per share.

Foreign & Colonial

Foreign & Colonial Investment Trust earned higher attributable revenue of £5.46m, against £4.34m, over the first six months of 1986.

Earnings per share were 1.09p (0.82p). The interim dividend is 0.53p (0.48p), and the board said it intended to pay a final dividend of at least 1.09p (0.99p).

Net asset value per 25p share at the end of the interim period stood at 122.3p compared with 84p a year previous.

Ingram

Harold Ingram, maker of knitted garments, yesterday reported slightly lower pre-tax profits of £323,774, against £327,131, for the year to end-April 1986.

Both turnover and operating profits increased—to £5.26m (£4.43m) and £363,827 (£319,152) respectively — but there was a £48,000 swing to net interest payable of £40,053.

Despite the absence of cover after extraordinary charges of £284,034, the dividend total is being increased to 3p (2.5p) through a final of 1.75p (1.5p). Earnings pre-extraordinaries were 5.7p (7.7p) per share.

Plessey profits climb to £43m in first quarter

BY DAVID THOMAS

SIR JOHN CLARK, Plessey's chairman, yesterday revealed a number of initiatives the company is considering, as he disclosed a 10.5 per cent rise in first quarter pre-tax profits to £43.3m.

The results were in line with City expectations. The company's shares fell 6p to 194p.

Sir John said the following initiatives were under consideration:

- Acquiring a communications systems and private exchange company in the US.
- Restructuring the board to ensure that the interests of shareholders and management along the lines of changes announced recently by Beecham and Guinness. The establishment of an audit committee would be the first step in that direction.
- Approaching Sir George Jefferson, chairman of British Telecom, to urge him to use BT's position as main customer of the System X public digital exchange to find a solution to the need to rationalise the System X capacity of Plessey and GEC.

Operating profit for the first quarter was 8.4 per cent higher at £39.8m. Turnover at £336.5m was virtually unchanged.

Investment income less interest amounted to £4.7m compared with £1.9m a year ago.

After allowing for £15.6m (£16.8m) in tax, the net profit on ordinary activities was £27.7m, 23.7 per cent up on last year. Earnings per share increased from 3.05p to 3.73p.

The order book was £1.38bn at the end of June—an increase of £33.4m during the quarter. The company said particularly significant order increases were achieved in payphones, private switching, sonar, radar and defence systems.

Net cash and liquid resources increased to £201.8m at the end of June compared with £192.4m at March.

Sir John welcomed the results as evidence supporting the conclusion reached by the Monopolies and Mergers Commission when turning down GEC's bid for the company that Plessey was strong enough to compete effectively on its own.

Plessey now employs 32,536 workers, 3,100 down on a year ago.

Sir John pointed to a strong performance from telecommunications, where quarterly profits increased to £18.7m (£13.6m last year) on turnover of £164.6m (£155.5m).

Plessey's US telecommunications subsidiary, Stromberg-Carlson is now trading profitably with a £4m profit contribution in the quarter. Sir John said that office systems and payphones also performed particularly well.

Electronic systems and equipment also increased profits to £10.8m (£9.8m) on bigger turnover of £114.1m (£109.7m), mainly due to naval systems and defence systems.

However, aerospace and engineering, microelectronics and components and computer peripherals all saw decreased profits and turnover.

The company accounted for the fall in aerospace and engineering profits to £4.1m from £5.9m by lower performance in the US because of currency deterioration and removal and start-up costs associated with a new plant.

Reduced profits in microelectronics and components were also due to start-up costs of its new chip plant in Devon. The company said it expected improved performance from this business.

Sir John said that the company had taken steps to reduce its activities in its small computer peripherals division, which showed a £0.1m loss on a turnover of £7m. He added: "this is basically not a field which Plessey should be in."

See Lex

GrandMet profits ahead in the US

EXTERNAL SALES of Grand Metropolitan, the brewing, hotels and leisure group, fell from £4.13bn to £3.9bn over the nine months ended June 30 1986, a reduction of 5.6 per cent.

However, after adjusting to eliminate the effects of exchange movements on translation of the external sales of overseas companies into sterling, and excluding the effects of acquisitions and disposals, there was an increase in group external sales of 2.8 per cent.

Third quarter net sales of GrandMet USA increased from $426.2m to $437.1m (£317.5m) and at the operating level profits rose from $14.1m to $27.8m (£18.66m). This lifted net stales for the nine months to June 30 to $1.37m ($1.27bn) and operating profits for the period from $52.4m to $65.1m (£43.7m), before charging corporate expenses of $10.7m ($7.4m).

The improved figures included the results of Pearle Health Services since its acquisition in September 1985. Operating income benefited from an increased contribution from cigarettes, even though sales of these products were lower than a year ago.

Wingate shares soar by 160p on deal struck with Chase

BY TERRY POVEY

AGGRESSIVE New Zealand property developer Chase Corporation has reached an agreement with Wingate Property Investments that, subject to shareholders' approval, will see control over the USM company pass to Chase.

Wingate, which came to the USM in September 1982 through an 84p-a-share placing, said yesterday that the Chase scheme would inject £47m into the UK compay over the next five years.

Yesterday Wingate's shares surged to 290p, up 160p on the day, following a resumption of trading.

The New Zealanders' move follows the calling off of a proposed merger between Trafford Park Estates and Wingate. A last-minute dispute about boardroom control led to the abandonment of a plan whereby Wingate's younger management would have played the key role in an expanded operation in which Trafford would constitute about 56 per cent.

Wingate's board has agreed for Chase to purchase 14.5m new Wingate shares at 150p each. Chase is also intending to make an offer of 150p for each of Wingate's existing 14.47m shares.

Subject to shareholders' approval—for the share issue—and a minimum of holders of 3.6m shares accepting the offer, Chase will further subscribe a total of £25.38m through convertible loan notes over the next five years.

Two of Wingate's institutional shareholders have already agreed to accept the offer in respect of enough share so as it will be unconditional. The loan notes will be exchangeable for Wingate shares at 175p each from June 1987 onwards.

Mr Christopher Foster, on behalf of Chase, said that the takeover was "a friendly one" which has been negotiated over the last three months. Chase established an office in London in November and is looking to build up a three- or four-legged operation in the UK—of which Wingate will be the property arm.

Chase, which also holds a 15 per cent stake in British Empire Securities Trust, is the third largest company in New Zealand with a market capitalisation of £575m. Total assets as of March 31 were NZ$556m having grown very rapidly from NZ$37m three years before.

Wingate owns and develops commercial and industrial property in southern England.

DIVIDENDS ANNOUNCED

Abbey	‖13	—	nil	5	nil
Appleyard Group ...int	1.75	Oct 13	1.5	—	5
BBA Group ....int	1	Nov 13	0.84	—	2
John Beales	3.45	—	2.8	4.8	4
Bullers ....int	0.5	Sept 22	0.5	—	1.5
Clive Discount	nil	—	1.1	0.5	2.5
Corah ....int	1.6	Oct 17	1.6	—	4
Foreign & Colonial int	0.53	—	0.48	—	1.47
Gnome Photo	6.5	—	6.5	6.5	6.5
Good Relations ...int	2.1	Oct 1	2.1	—	4.9
Hambro Countrywide	3	—	—	4.6	—
Harold Ingram	1.75	—	1.5	3	2.5
Louis Newmark	9	—	8.5	14	13
McKay Secs	1.95	—	1.7	3.65	3.25
Miss World ....int	‡1.5	Oct 10	1.2	—	5.2
Ratcliffs (Gt Br'ge) int	0.5	Nov 1	1	—	2.5
Royal Insurance	10.5	Jan 2	9.2	—	25.75
Victor Prods	3.25	Sept 11	3	5	4.6

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ‖ Irish pence throughout.

BET steps up attack on HAT management record

BY LIONEL BARBER

BET, the diversified industrial services group which has launched a £92m hostile bid for the HAT Group, yesterday stepped up its attack on HAT's management record.

BET said HAT, the paints, scaffolding and cleaning business, had promised "jam tomorrow" for three years and had yet to deliver. It also criticised HAT for failing to make a profit forecast for the current year.

The attack came in a circular to HAT shareholders responding to a HAT defence document this week which spokes of a new group strategy.

BET said £1,000 invested in HAT at the start of 1983 would have fallen in value to £783 — prior to its offer. It also attacked HAT for "wild accusations" about BET's gearing. BET said gearing amounted to 65 per cent last March, on a conservative basis.

F. Sumner recovery continues

Francis Sumner (Holdings) reported continued improvement in the six months to the end of June 1986 with pre-tax profits of £44,000, against £12,000 last time. Turnover of this textile company rose by £133,000 to £632,000.

The tax charge was £4,000 (nil) to give earnings per 5p share up from 0.05p to 0.16p.

The company also announced acceptances in respect of 98 per cent of the shares of Astra Holdings, the Kent-based pyrotechnics group. The offer has been declared unconditional and will remain open

The company is to change its name to Astra Holdings. Mr G. R. James, Mr C. W. Gumbley and Mr J. R. C. Miller of Astra are joining the board, Mr James as chairman and Mr Gumbley as group chief executive. Mr Max Maimann and Mr Colin Astin have stepped down as chairman and managing director respectively and resigned from the board.

Clive Discount in profit

Clive Discount Holdings, which became a subsidiary of the Bache Group, itself an offshoot of the Prudential Insurance Company of the US, recorded a profit of £250,803 for the year to March 31, 1986, compared with previous losses of £810,099.

The figures were after providing for rebate, tax and in 1985 a transfer from contingencies reserve. There will be no final dividend, leaving the 1985-86 total at 0.5p (2.5p).

The offer by Baring Brothers, on behalf of Bache, was declared unconditional in April and as at August 13 valid acceptances in excess of 97 per cent had been received.

Hawley/Brengreen

Hawley Group has acquired a further 1m in shares in Brengreen (Holdings) and now holds 16.71m equal to 25.7 per cent.

Further loss for Ratcliffs

Ratcliffs (Great Bridge), the West Midlands brass and copper strip manufacturer, ran up further losses at the six months' stage and is halving its net interim dividend to 0.5p.

The company incurred a trading loss of £201,00 but in addition, it had to provide £417,200 for the release of 170 employees between January and July 1986.

As a result of a further collapse of export markets Ratcliffs had had to operate continuous short weeks throughout the half year.

However, following the redundancies the company had returned to five-day working and was starting to rebuild from the lower operating base ,the benefits of which were expected to materialise in 1987.

Turnover for the first half of 1986 declined from £22.28m to £18.09m. The loss compared with previous profits of £698,000 and losses of £562,000 in the second half of 1985. For 1984 profits accelerate to £2.04m.

UK COMPANY NEWS

Good Relations profits fall by 77% to £0.4m

BY ALICE RAWSTHORN

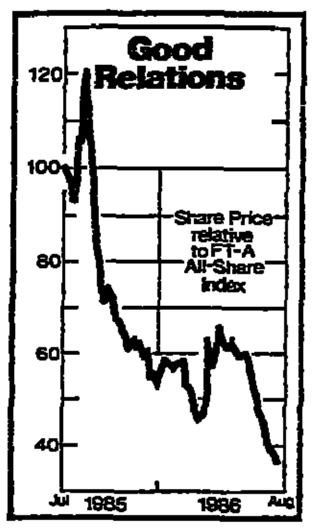
Good Relations, the public relations and advertising group which has suffered a series of boardroom upheavals in the last year or so, yesterday announced a fall in pre-tax profits to £401,000 and a loss after tax of £27,000 in the first half of this year.

Over the last year Good Relations has lost four main board directors, with the fourth walking out earlier this week; closed its New York office; watched the Stock Exchange mount an inquiry into share disposals by its former chief executive, Ms Maureen Smith; and received a succession of takeover proposals only to fail to agree merger terms with Valin Pollen in April.

In the six months to June 30 turnover fell by just 11 per cent to £5.81m, while pre-tax profits fell by 77 per cent to £401,000. Earnings per share fell to 2.6p from 4.7p.

The profit was after exceptional costs of £205,000 relating to surplus property, part of which has been sub-let; operating losses which have now been eliminated in Good Relations' New York office; and a write-off in respect of an amount from which revenue was taken last year.

Closure of the New York office cost the company £248,000 which has been treated as an extraordinary item. Good Relations has now entered affiliate agreements, its customary practice in international markets, with Georgeson and Company in New York for financial and corporate public relations and investor relations and with the Keefe Company in Washington for public and political affairs.



Mr Tony Good, the company's chairman, attributes the fall in pre-tax profits to the effect of adverse publicity on Good Relations' ability to win new business.

"Of course we were affected by it," he said. "When a client faces a choice between two consultancies, all other things being equal they are certain to be influenced by what they read in the press."

Yet Mr Good claims that the worst effects of the bad publicity are now behind the company and that new business has recovered. In the second quarter of the year new business gains reached record levels, with new accounts from Ferruzzi, Fitch Lovell, Ratners and Wood Mackenzie.

"Although the first half does show a fall in profits compared with the same period last year, it does represent an improvment on the second half," he said. "We are now back on a firmer footing and the chief problems of the first half, the closure of New York and excess property in London, have been redressed."

The board will pay an unchanged interim dividend of 2.1p and, according to Mr Good, the company is confident that it can increase pre-tax profits in the full year.

● comment

If ever a company has been in need of crisis public relations in the last year or so it is Good Relations. The company's sole stroke of luck came in February when the Stock Exchange rapped Ms Maureen Smith's knuckles and made it much more difficult for her to coax her old clients into her new company. Indeed Good Relations' clients have, on the whole, proved much more loyal than its staff. And despite the stream of defections the company still sports an impressive array of accounts. The client list alone should make the company ripe for takeover. But so many prospective predators have prowled around Good Relations, and beaten a hasty retreat that the speculators, who drove the shares up 15p to 100p yesterday, may yet be disappointed. The city tends to be suspicious about "write offs" for "revenue taken last year." And although the shares look undemanding on a multiple of 1.5, for projected profits of £1.3m, the risk of further defections may deter all but the optimists or would be arbitrageurs.

Abbey shares rise 20p with profits ahead of forecast

BY FRANK KANE

Abbey, the Irish building company which now operates mainly in the South of England, made record profits of I£7.29m (£6.62m) for the year to April 30, 1986, a period which saw it fight off a takeover bid from French Kier. The London quoted shares rose 20p to 185p.

The result is a 144 per cent improvement over last time, and is also 22 per cent higher than forecast at the time of the bid last October. The company's defence costs totalled I£543,000, taken as an extraordinary item.

Mr Charles Gallagher, the chairman, said yesterday that the figures were achieved in spite of a predicted loss in the merchanting division, which is responding to management changes.

The group's England-based housebuilding and plant hire activities are budgeting for improved performances in the current year.

Retained earnings for the year came out at I£2m (I£124,000), after much higher tax of I£3.57m (I£1.97m) and the first annual dividend since 1983 — a final of 3p (Irish) for a 5p total. Earnings were 15.85p per share, against 4.34p.

Shareholders' funds, however, were adversely affected by the large change in the sterling exchange rate during the year, said Mr Gallagher.

Turnover was just over I£10m higher at I£66.93m. The company is now managed from headquarters in England, rather than its previous Dublin base.

● comment

These results show why French Kier wanted Abbey so badly and last year's fight has only strengthened the Irish company. The board is now united after decades of family feuding; the emphasis has been switched to the affluent house hunters of south east England; and the loss-making Irish merchanting business has been shaken up and could just break even this year if the Irish economy defies the pundits with an upturn. All of which makes Abbey's bid defence good value at I£0.5m. Unusually, it also understated the group's strengths, helping to explain the surprise most analysts expressed at the I£7.3m profit, and the 20p mark up in the shares. There are only two, and very wispy, clouds on Abbey's horizon. House prices in the south east look to be topping out, but even a drop from the current 15 per cent growth rate to around 10 per cent would leave a respectable margin. Second, somebody might try again where FK failed, but any bid would have to be pitched at around 240p — not cheap. Profits will approach I£9m this year, and tax will fall to around 40 per cent for a lowly rated p/e of less than 8.

Restructured Bullers at £0.23m: expansion planned

Bullers, manufacturer of ceramic products, saw its profits improve from £204,000 to £231,000 pre-tax for the first half of 1986 with the comparable figures taking in a final contribution of £167,000 from the disposal of the Allied Insulators high tension division.

Turnover for the period declined from £4.26m to £3.84m following a restructure of group operations in favour of a greater emphasis on consumer products.

The directors said yesterday that the shift in this direction had been advanced by the acquisition from the receiver last March of Caverswall China for £150,000.

Caverswall, based in Stoke-on-Trent, manufactures high quality fine bone china. It made a modest contribution to group profitability during the half year and, together with the Crummles and Bullers (Staffordshire) subsidiaries, forms what the directors describe as a substantial and growing consumer products division.

Demand for Crummles products was affected by a lack of US tourists and its profits for the half year showed a reduction.

On the industrial side, Taylor Tunnicliff, the industrial ceramics manufacturer, was sold in June. Its disposal, at below net asset value, realised some £350,000 cash with Bullers retaining ownership of the land and buildings.

Mr David Valentine, group managing director, said the disposal of Taylor Tunnicliff and the acquisition of Caverswall China underlined the group's strategy.

First-half earnings improved to 1.65p (1.56p). The interim dividend is a same-again 5.0p net.

There were extraordinary debits of £403,000 (credits £250,000), being mainly the net los on disposal of businesses.

Olives Paper returns to the black

CONTINUED improved trading throughout the first half of 1986 helped Olives Paper Mill of Bury, Lancashire, to achieve a £137,000 turnround to profits of £122,000 pre-tax. Directors said they looked forward to the second half with confidence and if present trends continued expected to be able to recommend a return to the dividend lists at the year end.

The shares rose 8p on the day to close at 50p, a high for the year.

Turnover fell to £4.4m (£4.53m). The tax charge was £40,000 (nil) to leave earnings per 20p share of 2.54p against losses last time of 0.48p.

Directors said the gains in operating efficiency at the mill, achieved in the second half of the previous year, has been maintained. The commissioning in May of a high-speed sheet cutter to be followed by the installation of an automatic ream wrapper next month would help make a further improvement and enhance the quality and presentation of the company's products.

Cranbrook Electronic falls into red

Cranbrook Electronic Holdings suffered a downturn into losses of £64,000 pre-tax, compared with profits of £119,000, for the six months to end-March 1986.

Turnover was down at £3.04m (£3.28m) and the loss per 5p share for this USM-quoted company came out at 0.8p, against earnings of 0.9p. The directors expect trading in the second half to be better than the first.

Mr Tony Diamond, chairman, said the results reflected extra spending incurred in developing new areas of business and investing in personnel and capital equipment. As a result the group had increased market penetration despite a contraction in the market for high technology electronic components and sub-systems.

Gross profit came out higher at £1.08m (£1m). There was no tax charge against £48,000 last time.

McKay Secs lifts payout to 3.65p

Property investor and developer McKay Securities is raising its dividend from 3.25p to 3.65p net for the year ended March 31 1986, with a final of 1.95p.

Gross rents and service charges receivable rose from £4.3m to £4.8m, and the profit showed an increase from £2.49m to £2.55m, subject to tax of £836,000 (£907,000).

Earnings came to 8.6p (7.3p) for the 20p ordinary and 7.2p (6.1p) for the whole of the capital.

Development outgoings were up to £628,000 (£414,000), and were appropriated below the line.

Tangible assets at the year-end were £57.66m (£55.22m) and included the directors' valuation of UK investment properties; these showed a surplus of £1.64m which has been transferred to revaluation reserves.

Shareholders' funds stood at £44.52m (£42.9m).

UK COMPANY NEWS

Corah awaits benefit of second half boost

A STRONG order book and continued improvement in margins are expected to have a significant impact on the second half trading at **Corah**, the manufacturer of knitted clothing and fabrics which lists Marks & Spencer among its principal customers.

The order book provided a solid base for a high level of manufacture during the remainder of the year, the directors said. The margin improvement stemmed from stringent control of costs and lower raw material prices, backed up by some selling price increases.

Reporting on the first half ended July 5 1986, they said sales fell from £47.29m to £45.09m mainly because of the cessation of trading at Drewry & Edwards last Autumn, and the closure of Iway Fashions this year. Also sales of Spring and Summer merchandise were delayed by the late arrival of Summer.

Profit was down from £1.02m to £906,000, subject to tax £317,000 (£230,000). Earnings came out at 1.7p (2.3p) but the interim dividend is held at 1.6p net per share.

Iway was closed because of continuing losses and there were extraordinary costs of £423,000 related thereto in the period. Following the transfer of Reliance Industrial's employees into the Corah pension scheme, a net refund of £533,000 was realised from the winding up of the Reliance scheme. This also was treated as extraordinary.

The directors said Reliance traded profitably in the first half and they were confident it would contribute significantly to the year.

In respect of the previous full year the group accounts showed exceptional tie charges of £729,000 against that company. And with greatly increased interest charges the profit before tax for 1985 fell from £3m to £687,000.

Beales boosted by improved margins

MARGINS ON **John Beales** textile operations improved significantly during 1985-86 and enabled the group to lift its profits for the year from £651,000 to £1.04m pre-tax.

Increased activity in the refrigeration business following two acquisitions also contributed to the improvement.

Liquidity remained strong throughout the year despite acquisitions and a strong capital investment programme. At year-end cash balances had risen to £1.45m (£1.2m).

A final dividend of 3.45p lifts the total from 4p to 4.8p net. Earnings were 26.7p (16.8p) basic per 20p share.

The directors said yesterday that they were committed to expanding both the textile and refrigeration businesses organically and, where possible, by acquisition.

In addition, they said they believed the group should develop a third area of investment which, taken together with textiles and refrigeration, would form the basis of Beales future long-term growth.

With these requirements in mind shareholders will be asked at the AGM to approve a 25 per cent increase in the authorised share capital to 5.33m ordinary shares.

Group turnover for the past year (to May 31 1986) improved from £13.71m to £15.58m. Textiles (men's underwear, socks and leisurewear) returned sales of £14.42m and pre-tax profits of £909,000.

The present order book in this sector is good and the directors said that a stabilising of raw material prices and a lower level of UK inflation should lead to further profits growth in the next year.

Miss World running to budget

With the two main events still to come, current trading of the **Miss World Group** is up to budget and the outcome for 1986 should be satisfactory, forecasts the chairman Mr Eric Morley.

In the first half turnover rose to £408,000 (£382,200) and pre-tax profit to £167,300 (£153,300). The Miss World and Miss United Kingdom beauty contests take place in the second half and that was therefore, the more profitable, he said. Last year it accounted for £401,700 pre-tax.

After tax £67,000 (£69,500) the half year's earnings of this USM traded group were 5.14p (4.3p) per share. The interim dividend is lifted to 1.5p net (1.2p) at a cost of £29,250 (£23,400).

Victor accelerates to show £1.4m profit

WITH THE 1984-85 miners' strike well behind it, **Victor Products** continued to recover and finished the year to April 30 1986 with a pre-tax profit of £1.42m, after reporting £516,000 for the first half.

The recovery came substantially from work carried out for British Coal, where demand for consumable items returned to pre-strike levels.

Nonetheless, the directors pointed out that increased effort in other areas enabled the group to further reduce its dependence on British Coal—other industries served are oil, petrochemical and shipbuilding.

The directors stated that the high level of ordering from British Coal continued in the opening two months of the current year but was now "tapering off." However, they were confident that, overall, the recovery in business and improvement in profitability would continue.

Policy of continuous development had led to a steady updating and widening of the product ranges. The company had completed its first flexible manufacturing system and planning for the second and third systems was well in hand.

Following the increase in the interim, the final dividend is raised to 3.25p for a net total of 5p for the year. This compared with a maintained 4.6p for the previous year when the group ran into a loss of £670,000 (profit £1.1m).

Net turnover in 1985-86 came to £20.7m (£15.8m) from which a trading profit of £1.93m (loss £203,000) was achieved. Earnings were 12.8p (loss 12.6p) per share.

Daejan Holdings
PLC

The Chairman, Mr B S E Freshwater, reports:

- Record profit levels and continued solid progress.
- Commercial rent levels continue to improve and our shop portfolio has performed particularly well.
- Acquisitions in excess of £12 million during the year.
- I am reasonably confident that next year's results will not disappoint.

Year ended 31st March	1986	1985
	£	£
Profit before Tax	14,961,000	13,255,000
Net Profit	7,987,000	7,813,000
Earnings per Share	49.08p	48.03p
Dividends per Share	14.00p	13.00p

Copies of the Report and Accounts are available from The Secretary, 162 Shaftesbury Avenue, London WC2H 8HR.

L. Newmark as forecast

Results from Louis Newmark, electronic and precision engineer and watch distributor, for the year ended March 29, 1986 were as forecast at the halfway stage, with pre-tax profits of £1.37m, against £1.24m.

And the dividend is raised by 1p to 14p net, the final being 9p.

The directors also forecast the profit trend should continue into the current year, and confirmed yesterday that in general that had proved true of the manufacturing businesses where current orders were still satisfactory.

But on the defence industries side, they said, their long-held caution in regard to the outlook now seemed to be increasingly borne out by events.

Turnover in the year rose from £37m to £40.3m and trading profit from £2.12m to £2.37m. Tax took £397,000 (£603,000) after this time allowing for a prior year over-provision of £143,000, to give net earnings of 31p (20p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Algemene Bank Nederland, T. Clarke, EBC, East Rand Consolidated, Mrs Fields, INOCO, Tricentrol.

Finals: Jos. Wholesale Fittings.

FUTURE DATES

Interims—	
Barr and Wallace Arnold Trust	Sept 18
Dewhirst (I. J.)	Aug 26
Edinburgh Oil and Gas	Aug 29
Garfunkels Restaurants	Aug 21
Home Counties Newspapers	Sept 5
International Thomson	Aug 20
Pacific Assets Trust	Aug 28
Pearson	Sept 9
Ransomes Sims and Jefferies	Sept 15
Ryan International	Aug 21
Slough Estates	Aug 27
Supra	Aug 20
Templeton Galbraith and Hansberger	Aug 26
Tenby Industries	Aug 28
Wilson (Connolly)	Sept 3
Finals—	
Consolidated Plantations	Aug 30
Dale Electric International	Aug 21
Finlan (John)	Aug 20
Fletcher Challenge	Sept 9
Industrial Finance and Invest.	Aug 21
Kennedy Smale	Aug 27

Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
REG. NO. 05.22452.06

The fortieth Annual General Meeting of the Company will be held in Johannesburg on September 9, 1986

Extracts from the Chairman's Statement by Mr G H Waddell.

For the year to June 30, 1986, profit after taxation attributable to shareholders rose by R101.3 million to R258.2 million. This was an increase of 64.6% over that earned in the previous year and as such was again the highest yet achieved as measured in rands. The latter caveat should be clearly borne in mind since those profits, if measured in United States dollars, remain substantially below those earned in 1980 and 1981. Rustenburg is unlikely to be alone in that, and it is a matter of grave concern both for your company and in a wider context for the country, since it is a striking and brutal reflection of the depreciation of the value of the rand vis-à-vis the United States dollar.

This further substantial growth in rand profits during the year under review was due in great measure to the fact that Rustenburg and indeed the platinum mining industry as a whole found itself in the fortunate position where the United States dollar prices for platinum and rhodium were rising at the same time as the value of the rand against the United States dollar was falling. The compound effect of that combination was that Rustenburg realised average rand prices during the year under review which were at least until now at unprecedented levels. The cause of the rise in the United States dollar price lay primarily in the recognition of the fact that demand exceeded the new supplies to the market from the producers. The origins of the further fall in the value of the rand against the United States dollar – as I write it is worth less than 40 US cents – lay in the myriad of perceptions held by those elsewhere on the policies of our present Government, the growing and real threat of further sanctions and the likely future of this country in the years that lie immediately ahead. This present judgement as depicted by the value of the rand must be a matter of the gravest concern to all who live here.

Rand revenues from the sale of metals for the year to June 30, 1986 increased, for the reasons which I have just described, by no less than R536.5 million to the highest yet attained of R1599.6 million. As such, revenues rose by 50.5% above the comparable figure of R1063.1 million received during the previous financial year.

On-mine costs in the aggregate increased by R130.7 million (26.3%) to R628.0 million (1985: R497.3 million). This was a creditable performance in the light of the rate of inflation of 16.9% to June 30, 1986 and a further increase in the level of production.

Profit before taxation increased by R313.1 million (101.9%) to R620.5 million (1985: R307.4 million). However, the liabilities for taxation and lease rose by the even greater proportionate amount of R208.1 million to R354.6 million (1985: R146.5 million). That increase highlights the fact that Rustenburg continues paying tax and lease at the marginal rate of 66% which, as I said last year, is inordinately high given the nature of its business.

The profit after taxation rose by 64.6% to R258.2 million. Earnings per share were therefore 206.1 cents as compared with the figure of 125.2 cents per share in the previous year. This allowed your Board of Directors to raise both the interim and final dividends by 50% to 52.5 cents and 82.5 cents respectively (1985: 35.0 cents and 55.0 cents respectively).

The Group's holdings of cash and short-term deposits and investments increased to R363.2 million at June 30, 1986 (1985: R233.9 million). The Group has deliberately strengthened its financial position in recent years in order to be better able both to withstand any substantial decline in the market and even greater competition for sales either from its present or new competitors. The decision in January 1983 to abandon adherence to the producer price should also be seen as part of the policy to put Rustenburg in a better position to compete.

PLATINUM PRICE. The free market price of platinum was US$252 on July 1, 1985 and US$431 on June 30, 1986. It in fact rose with some minor aberrations steadily throughout that year and the average free market price increased to US$357 per troy ounce as compared with the average of US$300 for the previous year. This naturally was a very welcome improvement, though the average free market price has still to recover further before it will have regained its levels of past years. Its improvement to date had its origin in the much better balance between demand and supply which had emerged during the last year or two. Its momentum was sustained and sporadically increased, particularly in the first six months of 1986, by growing fears overseas about the stability of this country in the light of the widespread unrest and violence and this, of course, lead them to question the ability of the mines to continue to deliver. It is, of course, not easy to come to any even tentative conclusion as to the quantum effect of all these influences upon the price within the context of the increasing demand to which I have already referred. All that can be said is that the price of platinum in United States dollars continued to rise and this, inspite of the fact that imports of platinum into Japan – where there is a much larger degree of price elasticity than elsewhere – fell during the first five months to May 31, 1986 by 39%. This was in stark contrast to the tale of the previous year and must reflect in significant degree the fact (to which I refer below) that platinum, at least initially after its rapid rise, had become relatively expensive as seen by Japanese investors in comparison to gold. It is something of a comfort that it appears that the pendulum is now swinging back and indeed, in the month of June 1986, imports of platinum into Japan for the first time this year exceeded those of the same month in 1985.

In spite of this substantial decline in demand from Japan, the price per troy ounce, as I have said, continued to improve and this reflected the increased demand in the United States of America and Western Europe. There was also a particularly significant increase in the demand for platinum for investment purposes. The recognition of this increase in demand outside Japan for industrial and investment purposes was strong enough to establish a premium for the price of platinum over that of gold. That premium first re-appeared briefly in August 1985, and despite a temporary disappearance in September, it had by the end of the year established itself with some apparent degree of permanence and increased to a level in excess of US$80 an ounce. Indeed, as I write, the premium is just in excess of US$100. This is no more than is due to platinum which, as I have said before, is much more than a monetary metal in the light of its strategic and other uses in industry where it has a much broader base than gold. It has, however, to be accepted that the characteristics of the platinum market are such that the volatility of its price both up and down is likely to remain greater than that of gold.

AUTOMOBILE INDUSTRY. The automobile industry within the United States of America increased its production yet again in the year to June 30, 1986, when it reached 8,060,000 automobiles, an increase of 1.2% over the previous year.

Western European automobile manufacturers have, of course, for years fitted catalytic devices to the cars which they exported to the United States of America to meet the emission control standards in force in that country. They are now beginning to do the same for cars for sale within Western Europe. In Germany, in particular, the number of cars registered as equipped with catalytic devices began to rise rapidly from December 1985 and, as I understand it, the present intention of the West German automobile manufacturers at least is to continue to increase the proportion of their production fitted with catalytic devices. In Sweden, too, the same is more than likely to happen as that country is to adopt the American 1983 standards for emission control from model year 1989. In the interim, voluntary acceptance is encouraged by cheaper unleaded fuel and tax incentives. Norway, Switzerland and Austria are three other countries which are going to introduce similar measures.

It seems, therefore, that requirements for platinum and rhodium by Western European automobile manufacturers are increasing apace and may well be sufficient to offset any decline in demand from their counterparts in America from the level of 811,000 ounces in 1985 as estimated by the United States Bureau of Mines. Sales of Japanese automobiles worldwide increased by 8.1% to 7,646,816 in 1985. The additional sales were mainly made in the United States of America and in Europe. Sales of South Korean Automobiles within North America also increased rapidly.

JEWELLERY AND INGOTS. It is both pleasing and encouraging that the best estimate that we have of sales of platinum for use in jewellery in Japan during the year to December 31, 1985 suggests an increase of the order of 80,000 ounces to about 700,000 ounces. That represents a rate of increase of nearly 13%, and that rate of increase has more or less continued as Tanaka's sales of platinum for use in jewellery were 12% higher for the first six months of 1986 as compared with the same period in 1985 and were particularly good in June and July. If Tanaka's experience is typical of the platinum jewellery industry as a whole, it will portray very satisfactory progress particularly at a time when the price of platinum has been significantly above that of gold, since, as I have said, Japan is the most price elastic of our major markets. For that same reason, sales of kilo bars of platinum to large investors fell substantially in Japan during the first six months of 1986 compared with the same period in 1985, as indeed did sales of platinum to industry, where it seems likely that stocks of platinum built up at lower prices were to some extent run down.

Further progress was made in the Federal Republic of Germany where in calendar year 1985, as a result of the improvement in the economy, platinum continued to improve its niche relative to the jewellery market as a whole. Indeed, the latest estimate for the first four months of 1986 is encouraging and shows further increases of sales of platinum jewellery of 15% in the number of pieces, 21% by value and 30% by weight over the same four months in 1985.

The increase in the level of investment in platinum, particularly in the United States of America, via the media of ingots and small bars were substantial and more than balanced the decline in the demand from other sectors (to which I have already referred). I rather suspect that this is, at least prima facie, evidence of another sphere of price elasticity which, though not without risk, is to be welcomed. Our best estimate is that during calendar year 1985, the worldwide offtake of platinum for investment in ingots and small bars more than doubled and that the momentum may well have increased during the first six months of 1986.

INDUSTRIAL DEMAND. The latest available figures from the United States Bureau of Mines relate to the quarter which ended on 31 March 1986. These depict substantial growth overall in that period within the industrial demand from consuming industries within the United States of America. In fact, the Bureau of Mines estimate is that the increase in consumption of platinum during that period was 32.4% to 406,814 ounces (1984: 307,227 ounces).

In Japan, our best estimate is that industrial demand in 1985 probably was similar overall to that of 1984 with most industries showing either small increases or decreases. Demand fell significantly in the first six months of 1986 as the price rose in United States dollars, but not of course to anything like the same extent in yen. It seems, too, that the comparable figures may be somewhat distorted by the unusual level of reported purchases by the Japanese automobile industry at the beginning of 1985. In Western Europe the picture in 1985 as compared to 1984 was very similar to that of Japan in that these mixed fortunes for the various industrial uses of platinum resulted in no change of significance overall.

MINING AND REFINING. There were again a number of new developments of considerable importance at the mines during the year to June 30, 1986. At Union Section an increased tonnage was mined and processed from the UG2 reef with results that more than matched expectations of the likely levels of recovery. This, of course, augurs very well for the future exploitation of this reef as and when that becomes desirable as UG2 is found as extensively as the Merensky Reef throughout Rustenburg's mines. Also at Union Section an experiment on the appropriate scale into the viability of trackless mining has been initiated. If proven successful, it will have profound implications for Rustenburg's mines.

A number of new productivity records were established on the mines during the year under review and the introduction of technological innovations resulted in significant financial benefits. It is very pleasing that Rustenburg, Union, Amandelbult and Atok all retained their five star status under the International Mines Safety Rating scheme administered by the Chamber of Mines.

Shareholders were informed on June 11, 1986 that the decision has been taken to proceed with the construction of a new precious metals refinery which would have the capacity to refine in excess of Rustenburg's current rate of production of platinum group metals.

It is estimated that the full escalated cost will amount to the order of R250 million. It will, of course, be based on the Solvex process which has been proven at the large-scale pilot plant at Royston.

During the year under review, the precious metals refineries at Royston and particularly at Wadeville, together with the base metals refinery at Rustenburg, operated satisfactorily.

PROSPECTS. The company is in a sound financial condition and the demand for platinum and platinum group metals continues to be satisfactory. Like the year just past, the main arbiters of Rustenburg's results for the year to June 30, 1987 will, therefore, remain the prices received in United States dollars and the value of the rand vis-à-vis that currency. If both the current level of demand and the rand prices obtained in July continue, then Rustenburg's profits will again increase.

G H WADDELL, Chairman
August 1, 1986

Copies of the Report and Accounts, which include the full Chairman's Review, are obtainable from the London Secretaries: Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

SYMONDS ENGINEERING p.l.c.

The thirty-ninth Annual Meeting of Symonds Engineering p.l.c. was held on 14th August in Enfield, Mr. G. A. Rowley (Chairman) presiding.

The Accounts have shown an increase in turnover from £3,527,344 for the previous year 1984/85 to £3,721,758 for the year 1985/86. The net trading profit before tax is £37,433 compared with £72,662 for the previous year. There is also an additional extraordinary profit before tax of £109,569 realised from the sale of investments.

Although the trading profit for 1985/86 is extremely disappointing, mainly due to a lack of increase of turnover in the second six months of the financial year, the action taken to create a broader base in certain areas of our industrial activity is now supported by a much improved order intake.

The turnover for the first three months of trading has shown a marked improvement as compared with the same period last year and, coupled with an overall strong order book, we face the year 1986/87 with the hope that we shall be able to use our manufacturing capacity to the full.

A final Ordinary Dividend for the financial year ended 31st March 1986 of 12.25% (1985—12.25%) making a total dividend for the year of 18.25% was approved.

McKAY SECURITIES PLC

PRELIMINARY ANNOUNCEMENT
(ABRIDGED)

Group Results for the Year Ending 31st March, 1986

	1986 £'000	1985 £'000
Gross Rents and Service Charges Receivable	£4,804	£4,312
Profit before Tax	£2,546	£2,490
Profit after Tax	£1,910	£1,583
Earnings per share	7.2p	6.1p

Directors recommended a final dividend of 1.95p per share making a total for the year of 3.65p (1985 — 3.25p).

A Directors' valuation of the Group's U.K. Investment properties was carried out on 31st March 1986 which showed a surplus of £1.637m. This surplus has been credited to Capital Reserves.

Annual General Meeting to be held at 20 Parkside, Knightsbridge, London SW1, 9th October, 1986, at 12 noon.

FT COMMERCIAL LAW REPORTS

Assent to arbitration need not be written

ZAMBIA STEEL & BUILDINGS SUPPLIES LTD v JAMES CLARK & EATON LTD
Court of Appeal (Lord Justice O'Connor, Lord Justice Ralph Gibson and Sir Denys Buckley):

A WRITTEN arbitration clause contained in a contract made partly orally and partly in writing is an "agreement in writing to submit to arbitration" binding on both parties, though one did not give any written assent.

The Court of Appeal so held when allowing an appeal by James Clark & Eaton Ltd, defendants, from Sir Neil Lawson's refusal to grant a stay of proceedings brought by the plaintiffs, Zambia Steel & Buildings Supplies Ltd.

Section 1 (1) of the Arbitration Act 1975 provides: "If any party to any arbitration agreement . . . commences any legal proceedings . . . against any *other party to the agreement* . . . any party to the proceedings may . . . apply to the court to stay the proceedings . . ."

Section 7: "'Arbitration agreement' means an agreement in writing . . . to submit to arbitration . . ."

* * *

LORD JUSTICE O'CONNOR said that the defendants sold a large quantity of sheet glass to the plaintiffs, a Zambian company.

The plaintiffs complained that the glass was damaged during shipment. On August 26 1983 a writ was issued claiming damages for breach of contract.

On October 17 1984 the defendants moved to stay the proceedings on the ground that there was a binding arbitration agreement within section 1 (1) of the Arbitration Act 1975.

The evidence was that in September 1976 that plaintiffs' agents approached the defendants *with regard to the supply* of a large quantity of glass. The defendants sent a quotation dated October 11.

Below the quotation, in print, the document stated: "Quotations are *made on our terms of* business printed overleaf." On the back the terms of business *included a term* ". . . disputes on the contract to be settled by arbitration in England according to English law . . ."

In response, the plaintiffs sent the defendants a purchase *order, repeating the quotation* verbatim. No conditions were attached.

Negotiations continued as to quantities and price. There was a revised quotation on the same *form*, and an amendment to the purchase order. Matters then went to sleep while a letter of credit was being arranged.

Then, in early May 1977 the defendants went to Zambia and negotiations were conducted around a quotation of May 2, which was again on the pro forma. It took several days of negotiation before agreement was reached. Finally, the contract was made on the basis of the May 2 quotation, which expressly incorporated the arbitration clause.

That was the evidence as to formation of the contract.

Sir Neil Lawson found, quite properly, that there was no concluded agreement until May 1977. He said the quotation of May 2 constituted a new invitation to treat. No documents emanated from the plaintiffs as a result of it. There were conversations and a contract was entered into.

That was not a sufficient finding. It was necessary to decide whether the terms on the back of the quotation formed part of the contract. There was no doubt on the evidence that they did.

The question therefore was whether there had been an agreement in writing within section 7.

Sir Neil concluded that though the actual arbitration *clause was in writing*, it was necessary to show by some writing that the plaintiffs had assented to it for there to be a binding contract.

He fell into error in so doing. Examination of the authorities showed that if a document with an arbitration clause in writing formed part of a contract between the parties, one party's oral assent to the contract was sufficient.

Hattersley 3 Fost & Fin 116, a case under the Common Law Procedure Act 1854, which required submission to arbitration to be in writing, showed that where assent to written terms could be inferred from the conduct of the party, that was sufficient to satisfy the statute.

In the Saint Raphael [1985] 1 Lloyd's Rep 403 Lord Justice Lloyd said that "to be a written *agreement to arbitrate* it is unnecessary for the whole of the contract, including the arbitration agreement, to be contained in the same document. It is sufficient that the arbitration agreement is itself in writing; indeed it is sufficient if there is a document which recognises the existence of an arbitration agreement between the parties."

He held that an arbitration agreement need not be signed and that the definition was satisfied "provided there is a document or documents in writing which . . . recognise, incorporate or confirm the existence of an agreement to submit."

It was said in the present case that there was nothing in writing after the oral negotiations which led to the formation of the contract in Zambia in May 1977. That was true. But the cases did not require subsequent written acknowledgement of an arbitration clause contained in a document which was part of the agreement.

Once it was clear that the document formed part of the agreement, the requirement of section 7 of the Act was satisfied and there was a binding agreement to arbitrate.

The defendants were entitled to a stay. The appeal should be allowed.

LORD JUSTICE RALPH GIBSON, agreeing, said if the term containing the agreement to submit was incorporated in a document and it was proved *that the party was bound* by an agreement which included the terms of that document, no *further proof of the agreement* to submit was required.

SIR DENYS BUCKLEY, also agreeing, said that the contract was partly unwritten and partly in writing. The agreement to arbitrate was a term in writing of the agreement which the parties entered into.

The endorsed terms of business contained in the quotations thus became a written record of the terms to which the parties were assenting and a contractual document, part of the contract.

For the plaintiffs: Mark Potter QC and Charles Gibson (Field Fisher and Martineau).

For the defendants: Stanley Burnton QC and Michael McLaren (Slaughter and May).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68, Kingsway, London WC2B 6BD. Phone 01-831 0391.

THE PROPERTY MARKET

Helpful boost to unitisation drive

The Stock Exchange's agreement to consider for listing Property Income Certificates will aid proposals for introducing liquidity into the property investment market, writes John Plender

FOR YEARS the Stock Exchange has resisted pleas from stockbroking firms to permit the flotation of property companies owning no more than one building. The notion of a solitary egg in a single basket was too much for the risk-averse folk in Throgmorton Street to contemplate.

But not any more, it seems. This week the exchange conceded the principle, if not the strict point, by agreeing to consider for listing the Property Income Certificates, known as Pincs, promoted by County Bank and agent Richard Ellis. Though not the same as a share in a property company, Pincs will offer investors the right to the income and capital growth from a single property, without further tax or capital gains tax.

Deregulation, in this instance, is born of realism. Having seen much trading in leading equity shares slope off to New York, and having watched Goldman Sachs and Baring Brothers float the new office block at Billingsgate on the Luxembourg exchange, the Stock Exchange could hardly have allowed a potentially interesting new securities market slip through its fingers. By seizing the opportunity it has also given a helpful boost to the move to unitise individual properties — and, more specifically, to the form of unitisation promoted by County Bank and Richard Ellis.

So much the better for them, for this is a bandwagon that needs all the help it can get. The basic idea behind the various proposals for unitisation is to introduce liquidity to the property investment market by breaking up lumpy investments into smaller pieces. The resulting securities would then be more saleable to investors and could be traded actively in a secondary market.

> Key defence against sceptics is that market research has produced an encouraging response

This clearly has great appeal for all those who are saddled with inconveniently large investments. Whether it has the same appeal for investors is another matter. "A lemon" was the succinct verdict of one well known property entrepreneur to whom I spoke this week.

The response from Richard Ellis and County Bank: nothing daunted. They claim to be optimistic on the basis of soundings taken with 60 to 70 potential participants in the proposed market. And they have, says Ellis's Mr Stephen Barter, some 20 companies and institutional investors keen to underwrite the initial launch of four or five properties in a pre-placing at the end of this year.

The properties will be of different types and yields but will probably all be valued in the £30m-£50m range. The sale of a 30 per cent to 40 per cent interest could thus raise, say, £60m or £70m for the vendors. If the Pincs then found a ready demand from end-investors, the vendor could sell more in the market. The hope is that by introducing the magic ingredient of liquidity, the paper would trade at a lower yield (and thus a higher price) than the one implied by the initial placing price, which would be based on a conventional valuation reflecting the poor marketability of an over-sized property.

Another key defence against the sceptics is that market research has produced an encouraging response. About 46 per cent of a sample of 153 companies, investment institutions and advisers were found by a research offshoot of Valin Pollen to consider themselves likely investors in Pincs given an active market.

Well, maybe. But any potential seller would not wish to give a response that would discourage others from bringing liquidity to the property market, just as the 20 underwriters lined up by County Bank and Richard Ellis may well feel that it is worth paying a modest price to get the market off the ground for their own particular reasons.

Note, too, the important caveat about an active market, which points to a chicken and egg problem. If investors are worried about liquidity, they may not come in; if they do not come in there will not be much liquidity. Equally important, trading will take place initially on the basis of brokers matching buyers and sellers: Nobody expects genuine market makers to step in to quote two-way prices until later, at best. Even then, it is a moot point how much liquidity they will provide, given that it is not easy to trade in any size today in the shares of quoted companies capitalised in the £10m-£50m range.

The biggest question mark, however, concerns the initial willingness of investors to take Pincs at the valuer's estimate of the underlying worth of the individual property, before it is left to the stock market to arrive at its own independent valuation of the units in day-to-day trading.

In theory, the initial price should be attractive to investors because the property would be valued at a discount to a smaller, more marketable investment of otherwise comparable quality. By turning the over-sized property into a more marketable commodity, that discount should, it is argued, be eliminated. In practice, however, it may be rather different.

Consider the reasons why investment trusts and property investment companies have traditionally traded at a discount on the stock market. In part, the discount reflects the need to make a deduction for capital gains tax against the value of the investments—a factor which is not relevant to Pincs. But it also reflects doubts about the overall liquidity of the portfolio and about management.

Both these things matter greatly *in the case of unitised* property. For a start, investors are being asked to buy on the basis of the valuer's opinion. Valuation is an art, not a science: and the risk inherent in the valuation process is, by definition, not being spread over a number of properties in this instance. So it is magnified.

Many of the target investors for Pincs have also learnt to their cost that the valuations of individual properties in their portfolios have rarely stood up, in recent months, when the property has been offered to the market. They may well suspect that the valuation will err on the side of optimism and look for a discount in the price of the Pinc to compensate.

Smaller institutions, which are the ones expected to bring the net cash inflow to the market, may also look askance at claims made for the liquidity of unitised property. If they have experienced the problems of trying to sell pension fund property units over the past two or three years, they will take some convincing.

As for the management of the property, many of the investors sounded out by Ellis and County Bank like the idea of being passive investors, leaving the task to the vendor who continues to hold a majority interest in the property. Others take a less lazy view. Having discovered the importance of good management in the property market shake-out of the 1980s they worry about being minority investors in a vehicle whose management is ultimately in control of someone else. And where outside investors own the majority, the worry is about finding and keeping good, entrepreneurial-style management for what has become a predominantly institutional investment.

That suggests that the promoters of unitisation may be up against the same problem that the promoters of investment *trusts face. It is hard to* persuade people to buy at par an investment that traditionally *trades at a discount.* The trick can sometimes be pulled off in a bull market. But commercial property is scarcely a bull market today. And while the agents can (as always) find grounds for optimism about rents and yields, the best argument for commercial property investment at present is that the return is likely to look less dismal in quarterly investment performance surveys now that equities have suddenly remembered that they are entitled to go down as well as up.

My own hunch is that County Bank and Ellis will choose a handful of splendid properties to unitise in order to give the market the best possible chance to get off the ground. The underwriters will, in the early stages, do their stuff. The promoters will then do their best to ensure that the after-market is reasonably active.

But in due course secondary property will creep on to the market. And unless the underlying property investment market is bubbling in a way that it has not bubbled since the 1970s, the new property units will trade at a discount. Everyone will then recognise that unitisation provided the perfect solution to the problems of would-be sellers but not to the problems of property-shy investors. The excitement will fade away.

This is in no way to denigrate the work done by the promoters of Pincs. To have found an investment vehicle that avoided corporation tax and capital gains tax and which did not require legislation to set it in motion was a notable achievement. Perhaps it will find other uses in one-off transactions. The credit lies chiefly with Mr Neil Sinclair of solicitor Berwin Leighton. Ellis and County have also stolen a march on their competitors, most notably the group under Mr John Barkshire, which took forward the original proposals mooted last December by the report on unitisation put out by the Royal Institution of Chartered Surveyors.

The Government is to give the Barkshire plan, which involves a *simpler form of ownership*, the green light in its Financial Services Bill. But it would be *difficult, in view of* the bill's timing, to float anything much before mid-1987. And since the Stock Exchange is now interested in coming in on the act, there is not much point in establishing a market from scratch. The question now might be whether it is worth continuing to promote what the Barkshire camp regards as an inherently superior investment vehicle for use on the Stock Exchange in competition with Pincs.

> Trying to find those who took shares in Billingsgate has become a favourite sport in the City

As for Billingsgate, this was always best regarded as an unusual investment with an individually tailored capital structure. Those who took the shares are *alleged to be rare birds; trying* to find them has become one of the City's favourite sports. What *can be said is that the Stock* Exchange offers a more credible market place. Those with long *memories may recall* that it was to Luxembourg that the ICI pension fund retreated in more buccaneering days to undertake joint ventures with the (now fugitive) financier Mr Judah Binstock.

And by way of a postscript, what is so new about unitisation anyway? *It is only in recent* years that the Stock Exchange has excluded single asset property companies. The Old Corn Exchange building in the City was owned by a single company until British Land took it over in the 1970s. If memory serves, Baranquilla Investments, which developed BP's City office block, was to all intents and purposes a single asset company. Perhaps the real novelty lies chiefly in the way that Richard Ellis is now set to become a member of the Stock Exchange. Next stop, merchant banking?

APPOINTMENTS

Smiths Industries strengthens board

Sir Peter Thompson, executive chairman of National Freight Consortium, and Mr Neil McGowan Shaw, chairman and chief executive of Tate and Lyle, join the board of SMITHS INDUSTRIES as non-executive directors from September 1. Earl Jellicoe will retire from the board on August 31.

★

Mr Ronald G. Hooker joins the board of GOTHIC CRELLON as a non-executive director. Among his directorships, Mr Hooker is chairman of Dubilier, Radyne, Sarasota Technology, Thos. Storey, Henry Sykes, and is a director of Hambros Industrial Management, Melville Technology and Airship Industries.

★

Following the acquisition of The Country Gentlemen's Association, **Mr P. D. N. Earle** and **Mr R. W. Denham** have been appointed to the board of FREDERICKS PLACE HOLDINGS. **Mr R. H. S. Cattle** has *been appointed group finance* director from September 1. **Mr S. A. Goldsmith, Mr M. Kinney, Mr J. H. Seymour** and **Mr D. S. Ridout** have been appointed to the board of The Country Gentlemen's Association. **Mr K. C. E. Raw** has retired. **Mr J. A. Lyttleton** has been appointed to the board of F.P.G., the group's corporate finance subsidiary.

★

Mr Michael Thorold-Palmer has been *appointed a directory* of NEWSPRESS. Since 1980 he has been public affairs manager *of Fiat Auto (UK).*

★

MONENCO ASSOCIATES, Bristol, has appointed **Mr Keith Marshall, Mr Brian R. Roberts** and **Mr Denis S. Stephens** as executive directors.

★

APPLEYARD GROUP has appointed **Mr Michael Williamson** as *chief executive from* August 18. He was managing director of Pascon.

★

The following board changes have been made at YORK MOUNT GROUP: **Mr Neil Balfour**, managing director of York Trust, has been appointed chairman, and **Mr A. M. S. Pickering**, *chief executive of the West* Yorkshire Enterprise Board, **Mr K. M. Mellors**, executive director *of York Trust*, and **Mr M. C. Cowen**, a partner in Booth and Co., a Leeds firm of solicitors, join the York Mount board. **Mr H. Turpin** remains an executive director, together with **Mr J. F. Sanderson. Mr F. G. Mulryan** and **Mrs L. J. Turpin** have resigned.

★

Further to the formation of NURDIN AND PEACOCK CASH AND CARRY the following appointments have been made from within the *company*. **Mr Geoffrey Beer** becomes director responsible for customer and external affairs and **Mr Ken Harris** (at present general manager at Nuneaton branch) personnel director designate. Three branch general managers, **Mr Stuart Badman**, Brighton; **Mr Malcolm Carter**, Wimbledon; and **Mr Brian Pescott**, Cardiff, who will remain in their present positions, are made associate directors. **Mr Geoff Monk**, with responsibility for company advertising, is also made an associate director.

★

Mr T. W. B. Sallitt, a HAWKER SIDDELEY GROUP director, has been appointed to the boards of Hawker de Havilland, Hawker Pacific, Hawker Siddeley Engin*eering, and Noyes Bros, all* Australian-based Hawker Siddeley companies. **Mr B. S. Price** *has been* appointed deputy chairman of Hawker de Havilland and Hawker Pacific, and will become chairman of these companies on January 1, 1987 when **Mr R. Kingsford-Smith** retires. Mr Price has also been appointed chairman of Hawker Siddeley Engineering and Noyes Bros. **Mr J. B. Hattersley** has been *appointed managing director of* Hawker de Havilland while **Mr A. Carolan** has been appointed director/general manager, Melbourne.

★

Mr Nicholas Covington of the Department of Employment has been appointed director of the OFFICE OF MANPOWER ECONOMICS from September 1, in succession to **Mr Ronald Williams**, who is retiring. The Office is an independent non statutory organisation responsible for servicing independent review bodies which advise on the pay of various public sector groups.

★

Mr C. Howard Rigby has been appointed director and chief executive of LINFORD BUILDING, *construction subsidiary of* FF & E. V. Linford.

★

BELLWAY (NORTH EAST) has appointed **Mr Alistair Leitch** as financial director. He joins from Bellway (Scotland) where he was also financial director.

★

UNICHEM has appointed **Mr Jeff Harris** as finance director. He was chief financial officer.

★

Mr Gary Heyman has been appointed production director of CAST FILM PRODUCTS, poly*propylene film* manufacturing division of the Viking Packaging Group. He was general *manager.*

★

DATA CARD (UK) has appointed **Mr Harry Gibson** as managing director. The new post is created to bring together the previously separate operations of sales, service and manufacturing. **Mr John Amies** becomes new business development director of Data Card (Europe).

★

TRANSATLANTIC INSURANCE HOLDINGS has appointed **Mr E. P. Greenfield** and **Mr M. Rapp** as non-executive directors. *Mr Greenfield is a former execu*tive director of the Guardian Royal Exchnage and Mr Rapp is executive deputy chairman of Capital & Counties real estate subsidiary of the group. **Mr Donald Gordon** has been *appointed chairman of Trans-*Atlantic and **Mr Keith Wallis** deputy chairman.

★

THERMALITE has appointed **Mr Bob Jones** as marketing director.

★

Mr Simon Shearer has been appointed administration manager in the new business department of STANDARD LIFE in Edinburgh. He was assistant projects manager (systems).

★

Mr Philip Robinson has been appointed group finance director of *ATLANTIC COMPUTERS. He* joins from BSR International, where he was group finance director. **Mr Warren Palmer** becomes executive director, corporate development He previously held directorships in the European operations of Memorex and Recognition Equipment.

★

At SOUTHEND STADIUM **Mr Malcolm Dagul** has taken over as chairman from **Mr Simon C. H. Watson** *who has resigned* from the board.

★

MOULSON CHEMPLANT has appointed **Mr Stephen Coombs** as a director.

★

The ABBEY LIFE GROUP has appointed a new director with overall responsibility for the *innvestment of the group's* assets, which exceed £2bn. **Mr Alan J. Frost** joins the company on October 6 as director, investments, and will be a director of Abbey Life Group and Abbey Life Assurance Company. Mr Frost, who succeeds **Mr Peter Dyson** who took early retirement at the beginning of the year, *is currently assistant general* manager of the Sun Life Assurance Society and was previously assistant general manager (investment) of The London and Manchester Assurance Group.

★

Mr S. J. Reeves has been appointed general manager of PRC ENGINEERING (UK)

★

Mr Keith Faulkner has been appointed northern region director of the heating and air conditioning division of SULZER BROS. (UK). He joined Sulzer *Bros. (UK) in 1957.*

★

Mr B. D. Joseph has been appointed manager *of IMI over*seas and marketing department. He joins from Titel export sales division of TI Transport Equipment where he was general manager.

★

Mr Henry Samuels has been appointed managing director of TAYLOR NELSON FINANCIAL, financial market research division of Taylor Nelson. He has been with the company since 1984.

★

Mr Stephen Cope has been appointed a director of the insurance marketing division of Lloyd's broker JARDINE GLANVILL (UK). His special responsibilities include the national *co-ordination and marketing of* liability and professional indemnity insurance for major corporate clients. He was a director of Willis Faber's UK division in London.

★

Mr Roger Colomb has been appointed deputy managing director of TEXACO, London, with responsibility for financial, legal and information services. He will be returning to the UK from the Netherlands where, since 1982, he has been managing director of Texaco Olie Maatschappij.

★

Mr Tony Beswick has been appointed general manager at *the Wythenshawe division of* FERRANTI COMPUTER SYSTEMS.

★

Mr David Hobson has been appointed a part-time member of the BUILDING SOCIETIES COMMISSION and **Mr Gerald Watson** becomes deputy chairman and a full-time member of the commission. Mr Hobson retired as senior partner of Coopers and Lybrand in 1983, and has been a part-time unpaid member of the No 10 Policy Unit since then. Mr Watson was head of the social services group in the Treasury.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	171	165	‡Acatos & Hutcheson 50p	171	+1	bd5.25	2.9	4.3	11.4
¶¶	F.P.	15/8	127	108	‡Airsprung Group 10p	108	...	5.4	2.8	7.0	7.1
§115	F.P.	22/8	142	128	‡Anglia Sec Homes 10p	140	−1	R1.63	5.0	1.6	17.3
§115	F.P.	22/8	125	117	‡Atlas Conv'ting Equ 5p	120	...	R4.9	2.3	5.8	10.9
§67	F.P	8/8	71	68	‡BBB Design Grp 5p	70	...	L1.0	4.2	2.0	16.8
¶¶	F.P.	—	289	280	BTR Nylex A$0.50	286	...	Q15c	2.7	2.2	17.1
§145	F.P.	15/8	158	145	‡Beaverco 5p	150	...	u5.0	2.4	4.7	11.9
¶¶	F.P.	—	53	41	Bertrams Inv. Tst	45	...	—	—	—	—
§37½	F.P.	25/7	44	38	‡Bipel 5p	42	...	R1.23	3.1	4.1	10.5
125	F.P.	8/8	147	128	‡Borland Intl. Inc	141	+1	uQ2c	1.4	1.0	19.7
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	88	−2	u3.9	1.91	6.1	11.5
§63	F.P.	6/8	69	61½	‡Camotech 10p	62	...	R2.0	2.4	4.5	12.7
§125	F.P.	7/8	135	125	‡Chelsea Man 5p	126	−2	L2.2	2.8	2.5	20.7
100	F.P.	4/9	85	84	Child Med C.ITE1‡‡	85	...	—	—	—	—
¶¶	F.P	18/7	110	95	Clarkson (Horace)	103	...	L4.75	1.5	6.5	14.1
¶¶	F.P.	—	100	50	Clayform Warrants	50	−2	—	—	—	—
§110	F.P.	12/9	114	111	‡Colne Int 5p	112	...	R2.7	3.4	3.4	12.3
134	F.P.	—	137	134	‡F & H Group 10p	136	−1	L4.76	2.5	4.9	11.2
§70	F.P.	22/8	74	71	‡Fletcher Den'ys S. 5p	72	...	L2.5	1.9	4.9	15.3
210	F.P.	—	203	191	G. T. Management 1p	200	−3	R3.0	3.4	2.1	16.8
150	F.P.	25/7	164	150	Guthrie Corp	161	...	u5.3	2.2	4.6	10.3
150	F.P.	15/8	163	156	Harrison Inds. 10p	163	+4	g5.0	2.7	4.3	12.2
§92	F.P.	28/8	95	87	‡Hille Ergonom 10p	92	...	L2.0	3.1	3.1	12.7
§20	F.P.	15/8	25½	21½	‡Hughes Food 5p	22½	−½	R0.5	2.8	3.1	16.2
—	F.P.	29/8	£37	£36	JF Pacific Warrant S.A.	36½	...	—	—	—	—
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	...	—	—	—	—
§154	F.P.	13/8	160	157	Kleinwort Dev. Fnd	160	...	—	—	—	—
100	F.P.	15/8	90	80	‡M6 Cash & Carry	80	−1	u3.55	2.1	6.2	8.9
110	F.P.	5/9	98	90	‡Marina Dev. 50p	98	+2	R3.19	3.0	4.5	9.42
¶500	F.P.	29/8	516	427	Morgan Grenfell £1	438	...	L8.5	—	2.7	—
§33	F.P.	29/8	34	32	‡Omnitech 1p	32	...	—	—	—	—
§120	F.P.	29/8	120	110	‡Per. Computers 5p	110	...	R3.0	3.3	3.8	11.2
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	114	...	H6.8	—	8.4	—
§75	F.P.	29/8	77	75	Do Cap.	76	...	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	145	...	L2.0	3.1	1.9	21.2
§165	F.P.	1/8	184	158	‡Smallbone 10p	160	...	u5.0	2.1	4.4	14.9
§98	F.P.	6/8	106	98	‡Space Planning 10p	98	...	R1.8	3.4	2.6	16.0
§110	F.P.	28/8	125	119	Stanley Leisure	120	...	u3.25	2.8	3.8	13.3
130	F.P.	21/8	151	137	‡TV-am 10p	150	...	R5.75	2.6	5.4	10.0
112	F.P.	8/8	148	116	Tenby 50p	146	...	u4.0	2.6	3.9	11.3
190	F.P.	1/8	242	219	Thames TV	234	+3	u9.5	1.9	5.7	13.1
120	F.P.	6/8	131	100	Tibbet & Britten 5p	131	...	R3.5	2.6	3.8	14.6
§63	F.P.	22/8	68	65	Unilock 20p	66	...	1.98	2.7	4.2	12.5
¶¶	F.P.	—	160	152	VSEL Consortium £1	157	...	W5.68	4.3	5.1	4.9
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	...	—	—	—	—
106	F.P.	22/8	112	100	Windsmoor 5p	105	+2	u3.25	2.3	4.4	14.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
**	F.P.	—	155	135	Authority Inv. 8% Cov. Uns. Ln. 2006-11	140	...
§97.947	£25	17/9	27¼	25¼	Barkers Inv. Tst. 10½% Deb. 2016	26⅝	...
£100	£10	23/10	9¼	9½	Bournem'th & Dist Wtr 10⅝% Rd Db 1996	9¼	...
99.160	F.P.	—	99½	99½	Elect & Gen. Inv. 10¾% Deb. 2011	99½	...
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	37	...
97.963	£25	24/10	25⅞	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	20	...
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	...
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18⅝	−⅛
§99.793	£25	24/9	24⅝	20⅞	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	20¼	...
—	F.P.	—	100⅛	99⅞	Nationwide 10⅛% 27/7/87	100⅛	+⅛
§99.937	£25	24/10	25⅛	23¼	Do 3⅞% IL Ln. 2021	24½	...
—	F.P.	—	100⅛	100	Do 10¼% 17/8/87	100$\frac{1}{16}$	+$\frac{1}{16}$
¶	Nil	—	5ppm	5ppm	Rea Bros. Group 8.6% Cum. Cov. Prf.	5ppm	...
¶	Nil	30/9	4ppm	1ppm	Scantronic 5.75% Cov. Cum. Red. Prf.	2½ppm	...
¶	Nil	16/9	3ppm	2ppm	Stewart Ent. 6¼% Cum. Cnv. Red. Prf.	2ppm	...
¶	Nil	11/9	5pm	¼pm	Utd Leasing 9½% Cnv. Sub Uns Ln '98–2001	¼pm	...
¶¶	F.P.	—	101¼	101	VSEL Conv.11% Uns. Ln. 1996	101	...
—	F.P.	—	110p	107p	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	110p	...

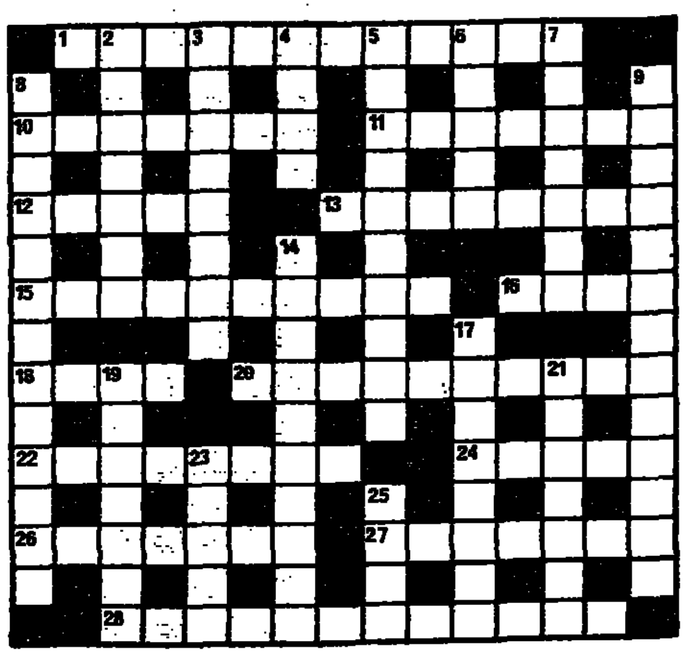
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
2	Nil	—	3½pm	2½pm	Assoc. Brit. Eng. 1p	2½pm	...
12	Nil	19/9	1¼pm	¼pm	Barker & Dobson 1p	¼pm	¼
39	Nil	10/10	2pm	1½pm	Blackwood Hodge	1½pm	...
5	Nil	—	38pm	26pm	‡Chyvision 5p	26pm	...
5	Nil	12/9	25½pm	12pm	‡Hobson 5p	23pm	...
330	Nil	26/9	81pm	58pm	London United 20p	71pm	+5
120	F.P.	19/9	143	130	Medminster 10p	130	...
21½	Nil	—	2½pm	2½pm	Rock	2½pm	...
35	Nil	12/9	30pm	20pm	‡Rockwood 10p	20pm	...
350	Nil	19/9	41pm	15pm	Rowntree Mackintosh 50p	41pm	...
200	Nil	—	23pm	17pm	TVS N/Vtg. 10p	17pm	...
125	F.P.	24/9	143	136	‡Tod 5p	140	...
390	Nil	3/10	117pm	105pm	WPP Group 10p	117pm	+11

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,100

DINMUTZ



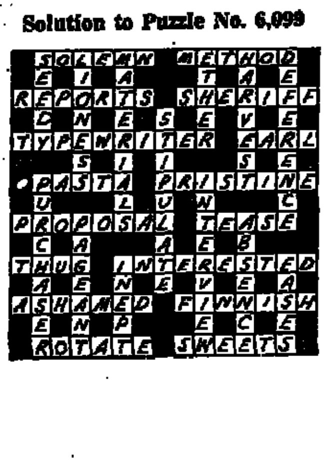
ACROSS

1 Snow White, for example, to become the guard's pet (12)
10 Archers' tower of strength? (7)
11 Moderately slow piece, this article by Italian poet (7)
12 Figure of speech for poet, right? Possibly! (5)
13 Wagner's divine crepuscule (8)
15 Quote too much for delivery-price (10)
16 Don, a northern river? (4)
18 Night noises in sheds (4)
20 Beryl getting jolly on water (10)
22 Circumvent team action (8)
24 Subject of bad fit going to doctor (5)
26 Works to turn on—Beethoven's third taking in his fourth (7)
27 Kind of fever to come in with Olympic finalists (7)
28 Where people take issue over danger in trek (12)

DOWN

2 Chabrier's transcription in the garden? (3-4)
3 Serenity of Bunthorne's bride (8)
4 Air of constable, say, crowned with gold (4)
5 Saturday's freeman of the city niggles awa' clumsily (10)
6 Boy finds it rising like the sea (5)
7 To revoke at table means some serene guesswork (7)
8 Tom's train-seat troublesome? See this official (13)
9 Pat, the ideal landlord? (6-7)
14 Ball made square, oddly (10)
17 Instrument for people with consumption? (3-5)
19 Led astray in Chinese vessel, marriage results (7)
21 US doctor appointed after another, say (7)
23 Foreign coins for a descendant (5)
25 Composer almost entirely submerged (4)

Solution to Puzzle No. 6,099



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	[illegible]	[illegible]		[illegible]
Pacific Basin	[illegible]	[illegible]		[illegible]
Canadian Balncd Growth	55.8	59.6	-1.2	0.98
Gnome Mar.	102.5	10[illegible]	+0.2	7.2

WestAven Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 422431

British Smlr Co's (z)	55.2	56.8	+0.5	1.59
British Growth (z)	66.0	67.8	+0.6	2.00
British Income (z)	64.6	66.6	+0.3	5.00
British Extra Yield (z)	50.7	52.1	...	7.30

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.6		6.60
U.S. Govmnt Bond F	50.509	0.512	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.5	50.6	+0.2	7.84
Growth Trust	49.4	52.6	+0.2	2.30
Income Trust	52.5	55.9	+0.3	5.24

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	...	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	121.6	129.0	+0.41	3.44

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 95 Cardiff CF1 4KW 0222 35542

AA Friendly Sy Aug 8	—	103.1	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser 1	206.4	217.3		—
Equity Ser 1	99.6	104.9	+0.4	—
Prop Acc. Ser 2	277.8	292.5		—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	95.0	101.0		—
Risk & Reward Bond	116.0	123.0	+1.0	—
Murray Johnstone Fd	117.0	124.0		—
Money Market Fd	100.0	106.0		—
Ivory & Sime Pens Fd	96.0	102.0		—
Risk & Reward Pens Fd	97.0	103.0		—
Murray Johnstone Pens Fd	115.0	121.9		—
Money Market Pens Fd	100.0	106.0	...	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel. 0908 606101/660888

Current Series

Property Fund	111.2	117.1		—
Money Fund	220.7	232.4		—
Managed Fund	405.3	426.7	+1.0	—
Equity Fund	248.8	261.9	+1.6	—
Fixed Interest Fund	149.4	157.3	-0.9	—
Far East Fund	212.4	223.6	+3.2	—
North American Fund	177.2	186.6	-0.6	—
Natural Resources Fund	128.9	135.7	+0.5	—
Pension Managed Fund	373.2	392.9	+0.9	—
Pension Equity Fund	235.1	247.5	+0.8	—
Adventurous Mngd Fd	103.2	108.7	+0.3	—
Balanced Mngd Fd	102.0	107.4	+0.1	—
Conservative Mngd Fd	102.0	107.4	+0.1	—
European Fund	100.2	105.5		—
International Fund	105.2	110.8	+0.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	132.4	139.4	+0.7	—
Equity	147.5	155.3	-0.3	—
Property	108.3	114.1		—
Gilt & Fixed Interest	116.1	122.3	+0.3	—
Indexed Securities	100.8	106.2		—
Cash	107.0	112.7		—
North American	108.9	114.7	+1.6	—
Far East	135.5	142.7	+2.5	—
International	125.6	132.2	+1.3	—
Special Situations	145.6	153.3	+1.5	—
International Income	137.1	144.4	+0.6	—
American Income	115.2	121.3	+1.2	—
European	145.2	152.9	+0.5	—

Flexible Retirement Plan

Mixed	137.2	144.5	+1.1	—
Equity	142.8	150.4	+0.5	—
Property	112.5	118.5	-0.1	—
Gilt & Fixed Interest	122.6	129.1	+0.9	—

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INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	22
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Palm oil prices hit fresh lows

BY JOHN BUCKLEY

PALM OIL prices have fallen to new all-time lows below $190 per tonne on both the Malaysian origin market and the Rotterdam market this week as a flurry of nervous selling has developed ahead of expected record production figures.

Five months after palm's last big shakeout—which took the market down to $200 for the first time, output of the oil is still coming on stream faster than producers can expand markets.

Traders expect July output in Malaysia, where some 60 per cent of the world's palm is produced, to pass 400,000 tonnes, up from 340,000 tonnes in June. Both figures would be seasonal records and while the rate of increase over 1985 has slackened from the 66 per cent seen in February, further all-time highs seem assured for the peak output period now approaching. From September onwards production is expected comfortably to exceed the 500,000 tonnes level, only dipping towards the close of the year. If seasonal patterns run true to form annual output can be expected to reach 4.8m tonnes against earlier forecasts of 4.6m and last season's 4m tonnes. At the same time, Indonesian output forecasts for 1986 has been raised to 1.5m from 1.2m tonnes in 1985 while global supply will probably rise to over 8m tonnes—about 1m tonnes more than last year.

Malaysia's problem is compounded by shaky world demand for its cut price palm products which, like all primary commodities are suffering from the worldwide shortage of foreign exchange among developing country importers. Hopes that cheaper prices would build a large increase in vegetable oil demand have been brought down to earth by a tendency on the part of many potential growth markets to divert savings on oils and grains back into protecting cherished capital projects, shippers say.

"Africa and countries like China should be soaking up palm oil at these prices," says one leading shipper, "but it's not happening. They simply can't afford to capitalise on the situation."

Leading palm oil importers, Saudi Arabia, Iraq and Nigeria (an aggregate market for 450,000 tonnes a year) have been hit hard by the fall in their fuel oil revenue. This has had the direct impact in restraining their palm purchases and, through the shelving of construction projects, a knock-on effect on palm importers supplying labour to the mineral oil producers, including Yemen, Egypt and Jordan.

Even the Soviet Union, a traditional market for more than 300,000 tonnes a year, has had to balance an opportunity to buy cheap palm oil or grain against its falling revenue from energy sales. *"Sustained evidence of Opec unity or progress could* reverse that, however," one dealer notes.

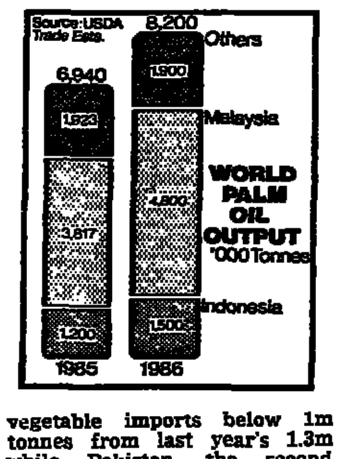
Meanwhile, palm oil's traditional number one customer, India, is steadfastly trying to cut intake by boosting domestic production. Some analysts expect a drop in India's total vegetable imports below 1m tonnes from last year's 1.3m while Pakistan, the second largest buyer, is believed to have overbought to the point of re-exporting a significant chunk of its 500,000-tonne imports.

In Europe record tank stocks of some 70,000 tonnes are weighing on the Rotterdam market where palm has to compete with a glut of coconut oil from The Philippines and palm kernel oil linked to rising palm output.

European merchants believe there is little hope of palm struggling far out of its present trough until "something momentous" happens, like the combined crop failures in Malaysia and the US in 1983. "At best the market might clamber occasionally back to $240-$250, at worst it won't even hold $180," said one seasoned trader.

But Malaysia is locked into output expansion. Under the Fifth Development Plan (to 1990) yield improvement and a rise in area to 1.8m hectares is seen taking production to 5.7m tonnes—equal to an oil yield of 32.2m tonnes of soyabeans (more than half current US production). By the year 2000, government agencies predict 9m tonnes on stream.

The slump in prices casts doubt not only on production strategy but on export tactics, too. Traders say Malaysian plantation houses could have sold more of the excessive production last winter when prices were double the present level, but hung on grimly in the hope that pressure would ease. Citing the firm origin market, many international traders sold long to destinations and simply waited for the "tanks to overflow and the price to collapse," said one trader. who concluded: "Palm, like tin, should have proved to any primary commodity producer that there comes a time when it's better to cut your losses. Half a cake is better than a quarter."



White House defends sugar sale to China

THE WHITE HOUSE moved yesterday to defend its controversial decision to sell cut-price sugar to China, reports Reuter from Washington.

After Canberra had angrily attacked the move and suggested it could threaten the military alliance between Australia and the US, Mr Larry Speakes, the White House spokesman, insisted that the sale would merely fill in crop shortfalls of some of China's traditional suppliers.

"China is a large importer of raw sugar and certain of her suppliers, particularly Cuba, had crop shortfalls, putting China in somewhat of a short supply situation," Mr Speakes said.

The $15.3m price for 145,850 tonnes of raw sugar is well below the current world market level but, Mr Speakes declared, "we simply met the price of competing suppliers."

Innovations in mine financing

BY STEFAN WAGSTYL

BANK LOANS still provide the single biggest source of finance for mine development, although there is a trend towards more sophisticated money - raising techniques, according to Metals Economics Group, a US research company.

In a survey of 116 recent financings totalling $3.4bn, the group found that $1.3bn had been raised in bank loans, often for the largest projects. Loans were used in 25 financings, accounting for 38 per cent of all the capital raised.

By contrast stock offerings were used more frequently to finance smaller projects — 35 equity issues, 30 per cent of the total financings, accounted for just 12 per cent of the money raised.

The group says that financing techniques are becoming more sophisticated. In Australia companies are increasingly raising funds with gold loans where they borrow bullion from a bank sell it and then repay the bank from mine production. The interest rates are often as low as 3 per cent because the banks themselves have no borrowing costs involved with the metal. The group recorded 10 gold loans totalling $90m.

Base metal mining companies have developed another technique—consumer credits, where *a mine customer (a smelter, for example)* lends funds in return for an assured source of concentrates supply.

Metals Economics found 18 cases of government assistance, worth a total of $312m. It says such aid is more common in Canada and Latin America than in the US or Australia. A number of recent Canadian projects have received provincial government loans, among them the reopening of the Faro zinc mine by Curragh Resources. Curragh, which bought the mine from Cyprus Anvil is getting $11.25m from the Yukon government plus a guarantee for 85 per cent of $11.25m commercial credit.

Companies have also developed new ways of attracting equity finance, says the report. In Canada, Sherritt-Gold, a subsidiary of Sherritt Gordon, raised $18m by selling shares with warrants for gold options attached.

Larger companies often try to finance projects internally to avoid debt and stock dilution. Consolidated Gold Fields, the London mining finance house, provided half the capital for the development of the Mesquite mine in California by its subsidiary Gold Fields Mining Corporation.

Mining Development Bimonthly, Metals Economics Group, 1722, 14th Street, Boulder, Colorado.

South Africa's other key metals

BY MARTIN ABBOTT

THE FEVERISH rally in the platinum and gold markets this week has yet to make any impact on a range of other South African-supplied metals which are much less glamorous but at least as important to industry.

In the markets for antimony, vanadium, manganese and ferro-chrome, South Africa occupies a key position. In antimony, a metal used in batteries and ammunition and as a flame retardant, the republic accounts for approximately 25 per cent of non-communist world (NCW) mine production. Its share of NCW mine production of vanadium, an essential ingredient in steel pipe-making and an additive to high-speed steels, currently stands at 73 per cent, while its output of ferro-chrome, used in making stainless steel, accounts for 30 per cent of the Western total.

In spite of their strategic importance to the rest of the world, non-precious metals account for only 5 per cent or 6 per cent of the republic's total export earnings—a fact which has led some traders to speculate that Pretoria might choose to restrict their sale as a counter-sanction against the West.

However, so far at least, there has been precious little change in market behaviour in these four materials. Why?

Analysts are of one mind: it is, they say, the glittering performance of the precious metals, and not the rather dull showing on the part of the ores and alloys, which is the oddity, at least for the time being.

The rise in the platinum and gold markets has been fuelled by self-fulfilling technical factors, with a large input from private investors. Many traders believe the rapid price movement this week was premature.

The potential for such frenetic activity in the ores and alloys markets is greatly reduced by the nature of the markets themselves. The absence of a terminal market such as the New York Mercantile Exchange, where platinum futures are traded, reduces the involvement of speculators.

Price movements in the alloys and ores markets tend, therefore, to relate directly to the hard facts of industrial consumption and supply rather than to the more esoteric influence of chart trading and "sentiment."

Merchants in the UK report that ferro-chrome and ferro-manganese (another essential additive in steel-making) have been trading in relatively healthy volumes over the past few weeks, but prices have not risen unduly and remain broadly comparable with levels prevailing at the beginning of the year. High carbon ferro-chrome is priced at about £262 per tonne and ferro-manganese is fetching about £260 per tonne.

There is, as yet, little more than a passing mention of potential disruption in South Africa in most people's market assessments.

One reason why decent volumes have changed hands is that many consumers are thought to have built a greater *proportion of their needs unfulfilled* by long-term contracts in the belief that oversupply this year would force prices down and allow spot market bargains, merchants say.

There is no doubt however that some of the currently unmoved markets could move very fast if South African disruption were to become a reality. The questions of which markets would react and how far prices might rise depends largely *on the timing of disruption,* because in most cases alternative sources of supply are being developed rapidly.

In the case of ferro-chrome, for instance, Japan and West Germany both rely on South Africa for about 50 per cent of their imports. In addition both take about 60 per cent to 65 per cent of chrome ore imports from the republic. The US takes nearly 75 per cent of its ferro-chrome imports from the same source, plus almost half of its chrome ore, and the UK takes more than 90 per cent of its ferro-chrome imports from South Africa.

However, those figures, based on customs cleared statistics 1982-84, are set to change quite drastically in the next two to three years. Production is currently increasing in Turkey, Albania, Brazil, Finland and Greece, and new plants have already been commissioned in Sweden.

None of these processing plants is reliant on South Africa for ore, and the Swedes in particular are keen to exploit *their proximity to the European* market and take a substantial market share in the medium term. No one is pretending prices would not rise if South African supplies were interrupted, but the fall-back position for the ferro-chrome industry would be the market, particularly since Zimbabwe is also a major supplier and its shipments are heavily dependent on South Africa's transport system and ports.

However, as each month passes without disruption the rise potential is likely to become smaller. Moreover, essential applications for the material would almost certainly be satisfied with the use of metal diverted from non-essential applications and government controlled strategic stockpiles. Such stockpiles currently exist in the US, the UK (which has this year halted a stockpile dismantling programme) and Japan. For instance some users of chromium metal, in particular its decorative applications in the motor industry, could simply end if supplies tightened far enough, many traders believe.

Vanadium, a similar story: oriented commodity with ample supplies of ore elsewhere, notably in the Soviet Union, Brazil, Gabon and China. Facilities to process the ore are also plentiful enough to offset a curtailment in South African shipments.

The vanadium market is another case in point. The industrial world may be reliant on South Africa for some 73 per cent of non-socialist output, but aggregate Chinese and Soviet production of it is equal to 82 per cent of the rest of the world figure, and comfortably outstrips South Africa's total output. Meanwhile there is new capacity to be brought on stream if necessary in both Canada and the US.

It used to be standard practice in metal market accounting to separate socialist production out from world figures and treat it as statistically unreliable, with exports subject to whim rather than market forces. But that view is changing rapidly.

Both China and the Soviet Union are now seen as sophisticated players on the international markets. Both countries are believed to be short of foreign exchange and well able to either increase production of metals affected by any South African sanctions, or to curtail domestic consumption in order to free more material for export.

A combination of both measures is expected by some traders to go a long way towards filling the gaps that may arise in the supply of platinum group metals, antimony and vanadium. Prices would be allowed to rise a little, of course, but not far enough to force substitution or significant cut in consumption.

Probably the least glamorous of metals which could be affected by the South African factor is copper. Its price has slipped £150 to about £900 a tonne on the LME this year and it is faced with a continuing oversupply problem.

Much of Zambia's and Zaire's copper production is shipped via South Africa and would presumably be a prime target for counter sanctions. Such disruptions would affect about 10 per cent to 15 per cent of the world's copper production.

New projects and major expansions are due to come on stream, however, in Portugal, Chile, Australia and Papua New Guinea in the next two to three years and given the steady decline in Africa's copper output these projects will go a long way towards offsetting delays, or even prolonged shutdowns, caused by South African actions.

Martin Abbott is deputy editor (non-ferrous) with Metal Bulletin.

MINE PRODUCTION OF STRATEGIC METALS (tonnes)

	Antimony	Vanadium	Manganese Ore	Chrome Ore and concentrate
South Africa	7,440	12,518	2.8m	3.4m
Soviet Union	6,500	9,500	10m	2.5m
China	13,500	4,500	1.6m	—
World	51,600	31,100	23m	9.3m

Source: World Mineral Statistics, 1984

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,300-2,450.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.50-2.65.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.90-0.95, sticks, 0.91-0.96.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 3.70-4.10.

MERCURY: European free market, min 99.99 per cent, $ *per flask, in warehouse,* 150-160.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.95-3.05.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.90-5.10.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 40-50.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

LONDON MARKETS

THE LONDON coffee futures market persisted with its imitation of a see-saw yesterday as speculators continued to climb on to any price movement in the hope that it might turn out to be a bandwagon. The December position, which fell by £85 on Monday and rose by £60 on Tuesday, ended the day £35 down at £1,822.50 a tonne reflecting a downturn in New York. Prices had moved modestly higher in early trading, following through on the New York market's firm Wednesday night tone. But the New York opening disappointed the bulls, who had been encouraged by rumours circulating earlier that the Brazilian Coffee Institute was about to announce a further cut in its estimate of the 1986-87 crop, already halved because of last year's four-month drought. The rumour was quickly dismissed, however, and it is generally expected that no further official crop estimate will be issued until September.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	749.5-50.5	—4	757/756
3 months	768-8.5	—5	763/757

Official closing (am): Cash 756.5-7 (753-3.5), three months 760.5-1 (761.5-2), settlement 757 (753.5). Final Kerb close: 758-59.
Turnover: 13,500 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/low
Cash	879.5-80	—0.5	880/878
3 months	899-9.5	—	903/896
Standard			
Cash	858-63	—1.5	861/860
3 months	677-82	—1.5	—

Official closing (am): Cash 880-1 (881-1.5), three months 897.5-8.5 (900.5-1), settlement 881 (881.5). Final Kerb close: 899-99.5.
Official closing (am): Cash 860-60.5 (865-6), three months 880-2 (883.4), settlement 860.5 (866). US Producer prices 61.50-67 cents per lb.
Total turnover: 28,600 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	263.5-4	—1.75	270/260
3 months	265.5-6.5	+0.75	272/265

Official closing (am): Cash 265.5-6.5 (265-5.5), three months 268-8.5 (264.75-5), settlement 266.5 (265.5). *Final Kerb close: 266-66.5.*
Turnover: 13,300 tonnes. US Spot: 21.25-24 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2510-20	+7.5	—
3 months	2535-40	+12	2550/2550

Official closing (am): Cash 2520-30 (2435-90), three months 2542-5 (2512-5), settlement 2530 (2490). Final Kerb close: 2535-40.
Turnover: 870 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.10 (14.10) ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	540-1	—2	546/545
3 months	548-3	—1	545/548.5

Official closing (am): Cash 545.5-6 (536.5-9), three months 544.5-5 (540.5-1), settlement 546 (539). Final Kerb close: 541-3.
Turnover: 6,250 tonnes. US Prime *Western: 41.50-44.75 cents per lb.*

GOLD

Gold fell $½ an ounce from Wednesday's close in the London bullion market yesterday to finish at $384½-$385. Th mtal opened at $384-$384½ and traded between a high of $385½-$386 and a low of $383-$383½. Recent activity tended to evaporate with traders content to consolidate positions for the time being before contemplating any assault on the 400 level.

GOLD BULLION (fine ounce)	August 14	
Close	$384½-385	(£257½-258)
Opening	$384-384½	(£257¾-258)
M'n'g fix	$384.00	(£257.857)
Aft'n'n fix	$385.25	(£258.124)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$382-384	(£256¼-257)
½ Krug	$202½-204	(£135½-136½)
¼ Krug	$103-104	(£69-69¾)
1/10 Krug	$41¾-42½	(£28-28½)
Mapleleaf	$395-398	(£264½-266½)
Angel	$392½-395½	(£262¾-264¾)
1/10 Angel	$39½-42½	(£26½-28½)
New Sov	$92-94	(£61½-63)
Old Sov	$96-97½	(£64¼-65¼)
$20 Eagle	$460-500	(£308-334¾)
Noble Plat	$544¾-555¼	(£363¾-370½)

SILVER

Silver was fixed 10.85p an ounce lower for spot delivery in the London bullion market yesterday at 354.5p. *US cent equivalents of the fixing levels* were: spot 528c, down 15.5c; three-month 535.4c, down 16.1c; six-month 543.5c, down 16.3c; and 12-month 560.3c, down 16.9c. The metal opened at 355-356½p (529-531c) and closed at 355-356½p (530-532c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	354.50p	—10.8	358p	—4.5
3 months	363.45p	—11.4	360.75p	—4.75
6 months	370.90p	—11.6	—	—
12 months	387.95p	—12.0	—	—

LME—Turnover: 35 (1) lots of 10,000 oz.
Three months high 363p, low 360.5p, final kerb 360-361p.

MEAT

Cattle sales: 0 (0) lots of 5,000 kg.
Pigs sales: 0 (0) lots of 3,250 kg.

	LIVE CATTLE		LIVE PIGS	
Month	Y'day's close	+ or —	Y'day's close	+ or —
Aug	98.00	—	103.50	+5.00
Sept	98.50	—	—	—
Oct	98.80	+1.30	104.00	—
Nov	—	—	98.30	—
Jan	—	—	—	—
Feb	—	—	98.50	—

MEAT COMMISSION—Average fatstock prices at representative *markets.* GB—Cattle 96.60p per kg lw (+1.03). GB—Sheep 159.13p per kg est dcw (+2.96). GB—Pigs 79.4p per kg lw (—0.77).

INDICES

REUTERS

Aug 14	Aug 13	M'th ago	Year ago
1461.6	1450.0	1414.8	1715.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 13	Aug 12	M'th ago	Year ago
Spot	117.53	117.12	—	114.49
Fut	115.27	114.77	—	114.52

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Aug. 14 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1285/255	+5	$1160/200
Copper			
Cash Grade A	£879.75	—0.5	£875.6
3 mths	£899.25		£894
Gold Troy oz	$384.75	—0.75	$347.25
Lead Cash	£263.75	—1.75	£248.75
3 mths	£266	+0.75	£254.75
Nickel			
Free Mkt	170/190c	+2	175/195c
Palladium oz	$137.50	+3.5	$112.35
Platinum oz	$535.50	+18.5	$439.25
Quicksilver†	$156/165		$180/200
Silver troy oz	354.50p	—10.85	332.45p
3 mths	363.45p	—11.40	340.10p
Tin			
free mkt	£3690/710	+10	£3670/40
Tungsten	$52.16		$54.42
Wolfram 22.0lb	$40/48		$42/50
Zinc	£540.5	—2	£535
3 mths	£542.5	—1	£533.5
producers	$840		$840
OILS			
Coconut (Phil)	$200w	+15	$235
Palm Malayan	$200x		$232.5
Copra (Phil)	$140w		$145
Soyabean (U.S.)	$145.5v	—1.5	$165
GRAINS			
Barley Fut.Nov.	£104.15	—0.45	£103.40
Maize	£151.00		£135.00
Wheat Fut.Nov.	£106.35	—0.55	£108.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1438.5	—0.15	£1366.5
Coffee Ft. Nov.	£1822.5	—35	£1937
Cotton A Ind.*	37.05c	+0.30	37.10c
Gas Oil Oct.	$132	—1.5	$102
Rubber (kilo)	59.75p	—0.5	59.25p
Sugar (raw)	$145w	—6	$124.5
Wooltops 64s	385p kilo		402p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. w Aug-Sept. x Oct. v Sept. * Cotton outlook. y Nov.

COCOA

Although expected a little easier, futures opened about unchanged and steadied late in the day. Physicals were fairly inactive and only light second-*hand interest was seen, reports* Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1387-1390	+8.0	1392-1377
Dec	1438-1439	+10.0	1441-1425
March	1474-1475	+6.5	1478-1455
May	1494-1495	+7.0	1498-1486
July	1513-1514	+9.0	1515-1505
Sept.	1530-1532	+7.5	1531-1524
Dec	1556-1557	+9.0	1558-1548

Sales: 2,463 (2,483) lots of 10 tonnes.
ICCO indicator prices (US cents per pound). Daily price for August 14: 91.78 (90.87); five-day average for August 15: 91.75 (91.29).

COFFEE

The market was steady during a quiet morning but following the opening in New York both markets fell sharply on a technical reaction to Wednesday's gains.

COFFEE	Yesterday Close	+ or —	Business Done
Sept	1810-1815	—35.0	1852-1805
Nov	1820-1825	—35.0	1869-1815
Jan	1828-1826	—40.0	1877-1825
Mar	1822-1826	—49.0	1880-1822
May	1835-1840	—52.5	1889-1880
July	1840-1870	—70.0	1908-1880
Sept	1840-1880	—85.0	—

Sales: 3,266 (4,603) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for August 13: Comp. daily 1979 14.91 (140.97); 15-day average 146.16 (146.89).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
August	128.5-129.8	—0.25	—
October	128.2-128.6	+1.90	—
Dec.	127.8-128.1	+2.10	—
Feb.	129.7-130.3	+2.00	—
April	130.5-131.5	+1.50	131.0
June	129.1-130.0	+1.55	—
August	129.0-129.8	+2.15	—

Sales: 20 (25) lots of 20 tonnes.

GRAINS

Wheat steadied reflecting early delivered pdices, then eased on sustained commission house selling. Barley eased throughout the day on nervous long liquidation, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's Close	+ or —	Yest'rdy's Close	+ or —
Sept	104.35	—0.30	101.75	—0.55
Nov	106.35	—0.55	104.15	—0.45
Jan	109.35	—0.55	107.05	—0.50
Mar	112.15	—0.25	109.60	—0.30
May	114.90	—0.10	111.40	—0.40

Business done—Wheat: Sept 104.65-4.25, Nov 106.80-6.35, Jan 109.70-9.35, Mar 112.45-2.25, May 115.00-4.80. Sales: 239 lots of 100 tonnes. Barley: Sept 102.25-101.75, Nov 104.60-4.10, Jan 107.55-7.00, Mar 109.90-9.60, May untraded. Sales 178 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark *northern spring no. 1 15 per cent* Aug 94.50, Sept 95.50, Oct 97.00. US no. 2 soft red winter Sept 92.75, Oct 94.25, Nov 95.75. French 11½-12 per cent Aug 125.00. English feed fob Sept 106.25/107.25, Oct/Dec 111.00/111.75, Jan/Mar 115.50, Apr/Jun 119.00 sellers. Maize: US no. 3 yellow/French transhipment east coast Aug 151.00. Barley: English feed fob Aug 104.00, Sept 105.25, Oct/Dec 110.50 sellers, Jan/Mar 114.25/114.75 buyer/seller.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 98.20, S. West 98.80, W. Mids 98.20, N. East 97.30. The UK monetary coefficient for the week beginning Monday August 18 is expected to change to 1.190.

SUGAR

PARIS—(FFr per tonne): Oct 1281/1282, Dec 1285/1275, Mar 1305/1308, May 1335/1340, Aug 1366/1382, Oct 1405/1422.

LONDON DAILY PRICE — Raw sugar $145.00 (£97.50), down $6.00 (down £4.00) a tonne for August-September delivery. White sugar $187.50, down $2.50.

Indications that more sugar could be forfeited under the US loan programme thus causing further distressed sales by the US caused a further fall in prices, reports C. Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Oct	155.0-155.2	159.4-159.6	140.5-155.0
Dec	140.0-145.0	146.0-147.0	147.0
Mar	152.8-155.0	157.2-157.8	156.0-152.2
May	156.0-158.8	161.4-161.8	162.0-157.6
Aug	161.4-162.0	164.0-166.0	166.2-161.4
Oct	162.8-165.6	169.0-170.0	—

Sales: 3,322 (3,445) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £200.50 (£203.00) a tonne for export.

US MARKETS

COFFEE FUTURES closed sharply lower as traders re-established short positions following a short-covering rally on Wednesday, reports Heinold. Commission houses and locals were early sellers. There was no fundamental news behind the early plunge but some renewed short-covering helped the market partly recover. The market appears to continue to be caught in a trading range between 160c and 170c, bases September and December, with no fundamental developments to push the market out in either direction. Market participants are awaiting the next Brazilian coffee crop estimate as well as the development of growing conditions for the new crop. Sugar futures closed on lows reflecting computer selling by commission houses and computer funds. A bearish factor was a report that the Indian Sugar Mills Association estimated Indian sugar production for the past nine months as up from a year earlier. Chartists said the market could be heading for a downward correction to the 5.50c level.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb [illegible]

COCOA 10 tonnes, $/tonnes [illegible]

COFFEE "C" 37,500 lb, cents/lb [illegible]

COPPER 25,000 lb, cents/lb [illegible]

COTTON 50,000 lb, cents/lb [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel [illegible]

GOLD 100 troy oz, $/troy oz [illegible]

PLATINUM 50 troy oz, $/troy oz [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons [illegible]

ORANGE JUICE 15,000 lb, cents/lb [illegible]

SILVER 5,000 troy oz, cents/troy oz [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb [illegible]

LIVE HOGS 30,000 lb, cents/lb [illegible]

MAIZE 5,000 bu min, cents/56 lb-bushel [illegible]

PORK BELLIES 38,000 lb, cents/lb [illegible]

SOYABEANS 5,000 bu min, cents/60 lb-bushel [illegible]

SOYABEAN MEAL 100 tons, $/ton [illegible]

SOYABEAN OIL 60,000 lb, cents/lb [illegible]

WHEAT 5,000 bu min, cents/60 lb-bushel [illegible]

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 431.0 (533.0) cents per troy ounce.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for August 13: Daily price 5.88 (6.16); 15-day average 6.12 (6.10).

FREIGHT FUTURES

Hedge selling on the opening, as expected, pushed October below 700 on the dry cargo market but, with bunkers steady and more physical activity reported, renewed short-covering steadied values, reports Clarkson Wolff.

Dry Cargo; Tankers [illegible]

POTATOES

The market was initially £3.00 firmer, basis April, following a recovery in the Dutch market. Traders were cautious, tending to distrust the *Dutch* lead, and volume was thin at these higher levels. Once Holland closed London lost direction and drifted back, reports Coley and Harper.

[illegible]

RUBBER

PHYSICALS—The London market opened slightly easier, moved erratically on rumours of ringgit devaluation and closed uncertain, reports Lewis and Peat. Closing prices (buyers) Spot 59.75p (60.25p); Oct 59.25p (59.75p); Nov 59.50p (60.00p). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No 1 221.0 (223.0) *and SMR 20* 198.0 (196.5).
FUTURES—Index 590, Sept 590-595, Oct/Dec 571-575, Jan/March 583-587, April/June 593-597, July/Sept 596-606. Sales: 10.

OIL

September Dubai firmed further in thin trading. Uncertainty over price trends restricted Brent trading. Nymex WTI for September opened 12c down but traded 8c up at 1.30 pm EDT. The petroleum products market had a very quiet day across the board with European holidays looming — Petroleum Argus, London.

CRUDE OIL—FOB (\$ per barrel)—Sept.; PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) [illegible]

Petroleum Argus estimates.

GAS OIL FUTURES

[illegible]

Hydrogen plant for BSC Llanwern site

AIR PRODUCTS, part of the US industrial gases group of the same name, is to build a hydrogen plant at British Steel Corporation's Llanwern works in South Wales.

The plant will purify coke oven gas from BSC to supply hydrogen by pipeline to BSC Llanwern and Orb, and to Monsanto at Newport. Its capacity, due on-stream late this year, will be six metric tonnes a day, and it is the first hydrogen plant of its type in the UK.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar steady after weak start

THE DOLLAR opened lower from overnight levels but was confined thereafter to a narrow trading range. There was insufficient news to lift the current lethargy prevailing in the market. Expectations of a cut in the US discount rate were behind the initial decline but many traders saw such optimism as a shade premature. West Germany's decision to leave its discount rate unchanged after yesterday's meeting of the Bundesbank central council also contributed to the weaker tone.

However hopes still remain that a concerted cut in rates by West Germany, Japan and the US may be possible next month. News of 0.4 per cent rise in US business inventories was much in line with expectations and did little to dispel a feeling that the US economy was still showing little sign of breaking away from its recent sluggish trend.

The dollar closed at DM 2.0620 from DM 2.0700 and SFr 1.6620 from SFr 1.6700. Against the yen it finished at its worst closing level ever at Y153.70 down from Y154.25. Elsewhere it slipped to FFr 6.7075 from FFr 6.7350. On Bank of England figures, the dollar's exchange rate index fell from 110.9 to 110.5.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. July average 1.5089. Exchange rate index 71.4 against 71.5 at the opening and at Wednesday's close. The six-months-ago figure was 73.6.

Sterling remained on the sidelines for much of the day, unaffected by unemployment figures or UK personal income. It closed at $1.4935 from $1.4860 and DM 3.08 compared with DM 3.0750. It was also higher against the yen at Y229.50 from Y229.25. Elsewhere it improved to FFr 10.0175 from FFr 10.0075 but was unchanged against the Swiss franc at SFr 2.4825.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0605. July average 2.1521. Exchange rate index 139.2 against 132.5 six months ago.

Trading was rather quiet once again in Frankfurt. The dollar was fixed at DM 2.0620 from DM 2.0690 and there was no intervention by the Bundesbank. There was some confusion as traders juggled with an unchanged interest-rate policy after yesterday's Bundesbank central council meeting and comments by Mr Martin Bangemann, West German Economics Minister, that the authorities were not interested in a further dollar fall. In the absence of any real volume, partly due to the summer holiday season, the dollar was confined to a narrow range. Elsewhere the D-mark was generally firmer, improving against the French franc and fixed at a record high of L688.50 against the Italian lira. The dollar closed at DM 2.0585 from DM 2.0685.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.70 July average 158.61. Exchange rate index 218.4 against 191.7 six months ago.

The yen was firmer in quiet trading in Tokyo yesterday. The US dollar came under a little selling pressure amid growing speculation that the US authorities would cut the discount rate in the face of a sagging economy. However there was insufficient volume to push the dollar sharply weaker with fears of central bank intervention also inhibiting traders from running too short. The dollar closed at Y153.60 down from Y154.05 in New York and Y154.25 in Tokyo on Wednesday. It touched a low of Y153.50 but found sufficient support at this level to recover a little.

£ IN NEW YORK

Aug 14	Latest	Prev. close
Spot	$1.4920-1.4930	$1.4880-1.4890
1 month	0.47-0.45 pm	0.45-0.43 pm
3 months	0.89-0.86 pm	1.30-1.28 pm
12 months	4.55-4.45 pm	4.55-4.45 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Aug 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4850-1.4940	1.4930-1.4940	0.46-0.43c pm	3.58	1.32-1.27 pm	3.47
Canada	2.0630-2.0694	2.0680-2.0690	0.31-0.22c pm	1.54	0.68-0.52 pm	1.16
Nethlnd.	3.45¾-3.47½	3.46½-3.47½	1⅜-1⅛c pm	4.32	3⅞-3½ pm	4.25
Belgium	63.47-63.75	63.65-63.75	17-12c pm	2.73	42-33 pm	2.35
Denmark	11.49½-11.58¾	11.57¾-11.58¾	⅝-par ore pm	0.39	⅜ pm ½ dis	−0.02
Ireland	1.1025-1.1105	1.1075-1.1085	par-0.10p dis	−0.54	0.05-0.20dis	−0.45
W. Ger.	3.06¾-3.08½	3.07½-3.08½	1½-1¼pf pm	5.36	4½-3¾ pm	5.11
Portugal	215.91-217.98	216.34-217.98	65-165c dis	−6.36	180-460 dis	−5.90
Spain	198.80-199.98	199.11-199.39	35-75c dis	−3.31	110-195 dis	−3.06
Italy	2108¾-2120¾	2119½-2120½	3-5lire dis	−2.26	5-9 dis	−1.32
Norway	10.94-10.99	10.98-10.99	3⅞-4½ore dis	−4.57	12⅞-13½ dis	−4.80
France	9.97¾-10.02¾	10.01¾-10.02¾	2⅛-2c pm	2.62	6¼-5⅜ pm	2.42
Sweden	10.30¼-10.34¾	10.33¾-10.34¾	⅛ pm-⅛ore dis	0.22	¼-⅛ pm	0.17
Japan	228¾-230	229-230	1¼-⅞y pm	5.23	3-2¾ pm	5.01
Austria	21.58-21.70	21.61-21.64	9½-7½gro pm	4.72	26-21¾ pm	4.77
Switz.	2.46¾-2.48¾	2.47½-2.48¾	1¼-1c pm	5.44	3¾-3½ pm	5.64

Belgian rate is for convertible francs. Financial franc 64.30-64.40
Six-month forward dollar 2.53-2.48c pm. 12-month 4.58-4.48c pm

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4850-1.4940	1.4930-1.4940	0.46-0.43c pm	3.58	1.32-1.27 pm	3.47
Ireland†	1.3425-1.3470	1.3435-1.3445	0.55-0.25c pm	3.57	1.45-1.00 pm	3.64
Canada	1.3840-1.3885	1.3850-1.3860	0.23-0.26c dis	−2.12	0.79-0.84dis	−2.35
Nethlnd.	2.3110-2.3300	2.3230-2.3240	0.14-0.11c pm	0.65	0.47-0.42 pm	0.77
Belgium	42.61-42.71	42.60-42.70	2-4c dis	−0.84	10-14 dis	−1.12
Denmark	7.71-7.76	7.75¼-7.75¾	1.70-2.30ore dis	−3.10	5.20-5.80dis	−2.84
W. Ger.	2.0565-2.0705	1.0615-2.0625	0.34-0.31pf pm	1.89	0.90-0.85 pm	1.70
Portugal	145½-148	145¼-146	90-150c dis	−9.87	250-430 dis	−9.32
Spain	133.44-133.70	133.45-133.55	70-90c dis	−7.19	190-230 dis	−6.29
Italy	1414½-1420½	1419¼-1419¾	6½-7½lire dis	−5.96	16½-18 dis	−4.90
Norway	7.34½-7.36½	7.35¼-7.35¾	4.80-5.10ore dis	−8.07	15.00-15.40d	−8.26
France	6.69¾-6.71	6.70½-6.71	0.55-0.65c dis	−1.07	1.70-1.90dis	−1.07
Sweden	6.91-6.93	6.92¼-6.92¾	1.70-2.00ore dis	−3.20	5.50-5.80dis	−3.28
Japan	153.50-154.10	153.65-153.75	0.21-0.16y pm	1.44	0.58-0.53 pm	1.44
Austria	14.46-14.52	14.49-14.49½	2-1gro pm	1.24	4-2½ pm	0.90
Switz.	1.6550-1.6630	1.6615-1.6625	0.30-0.25c pm	1.99	0.78-0.73 pm	1.82

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 43.05-43.15

EXCHANGE CROSS RATES

Aug.14	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.494	3.080	229.5	10.02	2.483	3.470	2120.	2.069	63.70
$	0.670	1.	2.062	153.7	6.708	1.662	2.324	1420.	1.385	42.65
DM	0.326	0.485	1.	74.51	3.252	0.806	1.127	688.3	0.672	20.68
YEN	4.357	6.506	13.42	1000.	43.65	10.82	15.12	9237.	9.013	277.6
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 6½-6¾ per cent: three years 7⅛-7¼ per cent: four years 7½-7¾ per cent: five years 7¾-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

FINANCIAL FUTURES

Eurodollars firm

EURO-DOLLAR prices were higher in the London International Financial Futures Exchange yesterday. US Treasury bond futures also gained ground, helped by growing optimism on the chances of an early cut in the US discount rate. While sentiment was generally bullish in the Euro-dollar sector, the extent of the day's improvement was marred to some extent by persistent profit-taking. However, this in itself prompted renewed demand and after opening at 93.85, which proved to be the day's high, the December contract for three-month Eurodollars touched a low of 93.79 in good two-way business and came back to 93.84 after the opening of Chicago before finishing at 93.82.

US Treasury bonds opened on a firmer note at 101-00 for September delivery up from 99-16 on Wednesday and touched 101-01 before being sold again on profit taking down to 100-25. This attracted renewed demand but values eased once more to break through 100-21 to a low of 100-14 after touching a high of 100-28. The price finished at 100-25 as further buying developed.

Significantly dealers reported signs of renewed retail demand with investors starting to take a renewed interest, so adding to a growing bullish undertone.

Sterling based contracts were generally firmer on an improved outlook for lower interest rates but tended to lack conviction ahead of any possible cut in rates by the US, Japan or West Germany.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE E/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

	Close	High	Low	Prev
LIFFE—STERLING £25,000 $ per £				
Sept	1.4866	1.4935	1.4830	1.4809
Dec	1.4743	—	—	1.4687
March	1.4625	—	—	1.4575

Est. volume 7 (4)
Previous day's open int. 1,701 (1,705)

CURRENCY MOVEMENTS

August 14	Bank of England Index	Morgan Guaranty Change %
Sterling	71.4	−20.9
U.S. Dollar	110.5	+2.0
Canadian Dollar	77.4	−12.8
Austrian Schilling	130.5	+8.0
Belgian Franc	95.5	−6.7
Danish Kroner	88.2	+0.4
Deutsche Mark	139.2	+17.4
Swiss Franc	[illegible]	[illegible]
Guilder	128.9	+11.6
French Franc	69.7	−13.5
Lira	47.4	−16.4
Yen	218.4	+62.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

* CS/SDR rate for August 13: 1.67053.
(1) SDR rate for August 13.

OTHER CURRENCIES

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	43.6134	+1.16	+1.10	±1.5368
Danish Krone	[illegible]	7.92143	+1.34	+1.28	±1.6403
German D-mark	[illegible]	2.10899	−0.18	−0.24	±1.1127
French Franc	[illegible]	6.85872	−0.21	−0.27	±1.3659
Dutch Guilder	[illegible]	2.37428	−0.17	−0.23	±1.5059
Irish Punt	[illegible]	0.760541	−0.58	−0.64	±1.6683
Italian Lira	1476.55	1451.56	−1.72	−1.72	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

UK rates stay the same

INTEREST RATES were virtually unchanged in London yesterday in very quiet and featureless trading. The spread on three-month interbank money narrowed to 9¾-9 13/16 per cent from 9¾-9⅞ per cent while other periods were much the same as on Wednesday. Overnight money opened at 9¾-9⅞ per cent and rose to 10-10¼ per cent before coming back to 9½-10 per cent. It rose again to 10½ per cent with late balances bid at 10 per cent.

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £499m and the unwinding of previous sale and repurchase agreements a further £78m. In addition banks brought forward balances £85m below target and there was a rise in the note circulation of £35m. These were partly offset by Exchequer transactions which added £190m.

The Bank of England revised the forecast to a shortage of around £550m and gave assistance in the morning of £122m through outright purchases of eligible bank bills, £6m in band 1 at 9⅞ per cent, £102m in band 2 at 9 13/16 per cent and £14m in band 3 at 9¾ per cent. The forecast was revised back to a shortage of £500m before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £271m through outright purchases of £1m of Treasury bills in band 1 at 9⅞ per cent, £193m of eligible bank bills in band 2 at 9 13/16 per cent and £77m in band 3 at 9¾ per cent. Total help came to £393m.

In Frankfurt the Bundesbank showed scant regard for recent pressure from US authorities to cut its interest rates and left the discount and Lombard rate unchanged after yesterday's meeting of the central council. This had been the first meeting for a month and despite calls from the US for West Germany to cut its rates, expand its economy and so presumably ease the US trade deficit, the Bundesbank was keen to stress that there was no readily apparent reason in its opinion for another cut in rates at least when considering the current satisfactory economic growth rate and concern in some quarters over the rate of expansion in money supply.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6⅝
Fed funds at intervention	6⅝

Treasury Bills & Bonds

One month	5.07
Two month	5.65
Three month	5.73
Six month	5.79
One year	5.89
Two year	6.38
Three year	6.51
Four year	6.69
Five year	6.83
Seven year	7.01
10 year	7.16
30 year	7.25

FT LONDON INTERBANK FIXING

(11.00 a.m. August 14)

Three months US dollars		Six months US dollars	
bid 6 1/16	Offer 6 3/16	bid 6 1/16	Offer 6 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

August 14	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9½-10½	9 11/16-9 13/16	9⅞-9 13/16	9¾-9 13/16	9 11/16-9 13/16	9 11/16-9 13/16
Sterling CDs	—	—	9 13/16-9 11/16	9 11/16-9 9/16	9 11/16-9 9/16	9 11/16-9 9/16
Local Authority Depos	9⅝-9¾	9⅞	9⅞	9 13/16-9¾	9⅝-9 9/16	9⅝
Local Authority Bonds	—	—	10⅛	10⅛	10⅛	10⅛
Discount Mkt. Depos	9-9¾	9¾-9⅞	9⅞	9½	—	—
Company Depos	10	10	9⅞-10	9 11/16-9⅞	9¾	9¾
Finance House Depos	—	—	9⅞	9 13/16	9 11/16	9¾
Treasury Bills (Buy)	—	—	9 13/16	9⅛	—	—
Bank Bills (Buy)	—	—	9 13/16	9½	9¼	—
Fine Trade Bills (Buy)	—	—	10 1/16	10⅛	9⅞	—
Dollar CDs	—	—	6.13-6.18	6.13-6.18	6.13-6.18	6.13-6.18
SDR Linked Depos	—	—	5 9/16-6 1/16	5 15/16-6 1/16	5⅞-6⅛	5 15/16-6 1/16
ECU Depos	—	—	7⅛-7¼	7 3/16-7 5/16	7 3/16-7 5/16	7 3/16-7 5/16

Treasury Bills (sell): one month 9 25/32 per cent; three months 9⅝ per cent. Bank Bills (sell): one month 9 25/32 per cent; three months 9 21/32 per cent. Treasury Bills: Average tender rate at discount 9.5445 per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): 10.009 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from August 6. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

August 14	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ti'n
Frankfurt	4.40-4.50	4.50-4.60	4.50-4.65	4.60-4.65	4.50-4.65	5.5
Paris	7¼	7 1/16-7 3/16	7 1/16-7 3/16	7⅛-7¼	7⅛-7¼	7
Zurich	1⅞-1⅛	4⅛-4¼	—	4 3/16-4 5/16	—	—
Amsterdam	5 9/16-5 11/16	5½-5⅝	—	5 9/16-5 11/16	—	—
Tokyo	4.65625	4.78125	—	[illegible]	—	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notices

THOMSON-BRANDT INTERNATIONAL B.V.

US$ 50,000,000

8% GUARANTEED EQUITY NOTES DUE 1996

Guaranteed by Thomson S.A.

Principal payable in ordinary shares of Thomson-CSF

Notice is hereby given that the Exchange Date for the above issue will be 15th September, 1986. On and after this date the temporary global certificate will be exchangeable for definitive notes upon certification of non-US beneficial ownership and Thomson-Brandt International B.V. will, at the option of the holder of any Note, repay such Note through the delivery of ordinary shares of Thomson-CSF at the Share Payment Rate (as defined in the terms and conditions of the Notes) in accordance with the terms and conditions of the Notes.

The Share Repayment Agent is
Banque Paribas (Luxembourg) S.A.
10a Boulevard Royal, Luxembourg-Ville, Luxembourg

INTERFIRST TEXAS FINANCE N.V.

US$100,000,000

Guaranteed Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three months period August 13th 1986 to November 13th 1986 the Notes will carry a rate of interest of 6⅝% per cent per annum with a coupon amount of US$167.71.

Agent Bank
CHEMICAL BANK

NOTICE OF PREPAYMENT

REPUBLIC OF FINLAND

FRF 70,000,000 11½% Bonds due 1989

NOTICE IS HEREBY GIVEN that, in accordance with the clause "redemption" (C) "optional redemption" of the terms and the conditions of the notes, Republic of Finland will prepay FRF 50,000,000 of the above referenced bonds at 100¼% on October 15 1986 when interest on the bonds will cease to accrue.

On September 25 1986 (20 days before redemption date) a list of the bonds to be optionally redeemed will be published.

Payment of principal will be made upon presentation and against surrender of the notes with all unmatured coupons attached, at the principal office of the Banque Nationale de Paris, in Paris, or of Banque Nationale de Paris (Luxembourg) S.A., in Luxembourg, the Banque Bruxelles Lambert S.A., in Brussels, Deutsche Bank Aktiengesellschaft in Frankfurt or Banque Paribas in Paris.

Accrued interest due October 15 1986 will be paid in the normal manner upon presentation and against surrender of Coupon No. 7 on or after October 15 1986.

Principal Paying Agent:
Banque Nationale de Paris (Head Office)
16 Boulevard des Italiens
75009 Paris
France
Paying Agents:
Banque Nationale de Paris (Luxembourg) S.A.
24 Boulevard Royal
Luxembourg
Banque Bruxelles Lambert S.A.
Avenue Marnix 24
B 1050 Brussels
Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10-14
Frankfurt/Main
Banque Paribas
3 Rue D'antin
75060 Paris Cedex 02

O.K. BAZAARS (1929) LIMITED
(Incorporated in the Republic of South Africa)
NOTICE TO PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the undermentioned half-yearly dividends have today been declared payable on September 30 1986 in the currency of the Republic of South Africa, to all holders of the respective classes of shares registered in the books of the Company at the close of business on September 5 1986:
6% First Cumulative Preference Shares Dividend No. 104 — 3%
5% Third Cumulative Preference Shares Dividend No. 86 — 2½%.
The usual non-resident shareholders' tax of 15% will be deducted where applicable.
The Register of Members will be closed in Johannesburg and London from September 6 1986 to September 14 1986, both days inclusive, for the purpose of the payment of the above dividends.
By Order of the Board.
P. E. Kritzinger, Secretary

Registered Office: OK Buildings, 80 Eloff Street, Johannesburg 2001
London Registrars: Hill Samuel Ltd, 6 Greencoat Place, London SW1P 1PL
August 12 1986

Art Galleries

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, August 13, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of August 13, at 11.00 a.m.
3 months: 6¼ — 6 months: 6¼

ECU=$US1.01691 — SDR1=$US1.20769
Sibor as of August 13, at 11.00 a.m.
3 months: 6¼ — 6 months: 6¼

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.7968
Algeria	Dinar	4.63
Andorra	French Franc	6.728
	Spanish Peseta	134.30
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (6)	0.952
Greece	Drachma	134.90
Greenland	Danish Krone	7.746
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	6.728
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	2.957
Guinea Bissau	Peso	170.479
Papua New Guinea	Kina	0.9785
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	649.50
Peru	Intl. (o)	13.95
Philippines	Peso	20.43
Pitcairn Islands	N.Z. Dollar	1.9928
Poland	Zloty (o)	162.48
Portugal	Escudo	146.10

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102¾	100½	Exch. 14pc 1986	100⅞	–⅛	13.90	10.06
98⅞	94⅝	Exch. 2½pc 1986	98⅞	+⅛	2.53	6.64
102½	100⅜	Exch. 13¼pc 1987	101½	+⅛	13.06	9.48
100⅝	97⅜	Treas 10¼pcCv '87	100⅜	+⅛	10.22	9.49
97¾	92½	Exch 2½pc 1987	97¾	xd	2.56	7.02
101⅝	97½	Exch. 10½pc 1987	100½	+⅛	10.45	9.50
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅜		6.61	8.85
101⅝	96½	Treas. 10pc 1987	100⅝		9.98	9.61
97⅛	90⅞	Treas 3pc 1987	96⅞	+⅛	3.12	7.16
104⅛	99⅛	Treas. 12pc 1987	102⅛	+⅛	11.70	9.62
99⅛	92½	Treas 7¼pc 1985-88‡‡	98		7.41	9.22
104	96¾	Exch 10½pc '88	101⅛	–⅛	10.36	9.62
102⅝	95⅛	Treas 9¾pc Cv '88	100⅛	+⅛	9.72	9.55
94⅛	86⅝	Transport 3pc '78-88	92⅝		3.24	7.27
102⅛	93½	Treas. 9½pc '88	99⅞	+⅛	9.52	9.53
107⅛	98⅛	Treas 11½pc 1989	104⅛xd	+⅛	11.03	9.52
103⅛	93⅛	Treas 9½pc Cnv. '89	100⅛	+⅛	9.50	9.45
97⅛	82⅛	Treas 3pc 1989	89⅛		3.36	7.33
105⅛	95⅛	Treas 10½pc 1989	102¼	+⅛	10.27	9.55
104⅛	94⅛	Exch 10pc 1989	101	+⅛	9.90	9.60
107⅛	97	Exch 11pc 1989	103⅛	+⅛	10.63	9.62
93⅛	84⅛	Treas 5pc 1986-89	91⅛		5.49	8.23
110⅛	94⅝	Exch 10¼pcCv '89	105⅛	+⅛	9.73	8.30
114⅛	103⅛	Treas 13pc 1990‡‡	110⅛	+⅛	11.79	9.35
108⅛	97⅛	Exch 11pc 1990‡‡	104⅛	+⅛	10.52	9.42
113⅛	101⅛	Exch. 12¼pc 1990	108⅛	+⅛	11.47	9.52

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

790	513	RTZ	584	+11	22.0	2.8	5.3
£164	£115	Do. 9½pcLn '95-2000	£127	+½	Q9½%	15.5	17.5

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value

B Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	59	......	Fin. 13% 97/02	£115¼	+¼
Craig & Rose £1	£12	.....	Arnotts	310	.....
Finlay Pkg 5p	42	.....	CPI Hldgs	45	.....
Holt (Jos) 25p	805	.....	Carroll Inds	145	.....
IoM Stm. £1	75	.....	Dublin Gas	30	.....
			Hall (R. & H.)	70	.....
IRISH			Heiton Hldgs	31	.....
Fund 11¼% 1988	£101½	.....	Irish Ropes	95	.....
Nat. 9¾% 84/89	£98½	..	Unidare	230	.....

" Recent Issues " and " Rights " Page 25
(International Edition Page 21)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option First Declara- Dealings	tions	Last Dealings	Account Day
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22

* " New-time " dealings may take place from 9.30 am two business days earlier.

Rise continues after early pause on BP share placing

Leading equities began cautiously on expectations of a pause in this week's sustained advance and on early speculation of an impending market development in British Petroleum. For an hour or more business was restricted by conjecture that a large share placing was taking place, and around mid-morning Guinness confirmed the sale of 18.8m BP shares which it inherited through the acquisition of Distillers.

UK broker Hoare Govett and US investment house Salomon Bros combined to set a market precedent, giving London the first taste of the type of deal likely to feature regularly after the "big bang" on October 27. They bought the BP shares in a single "block trade" at a price of 575p per share. Hoare Govett later placed in the traditional way 14.8m shares with institutions worldwide at a slightly higher level, believed to be 576½p.

Demand for the stock was such that applications were scaled down heavily, forcing some institutions to top-up by purchasing in the market. As a result, the price of BP recovered strongly from a lower early level of 580p to a close of 8 up on the day at 598p. Guinness eased 3 to 327p.

The tone brightened immediately the BP news was out of the way. Barclays Bank prediction that UK base rates would fall to 8½ per cent over the next six months fostered a revival of cheaper money optimism and interest started to improve. Political considerations following Labour's retained lead in the latest opinion polls evaporated as prices regained early losses and moved into higher ground.

Confidence continued to grow throughout the afternoon and, after another impressive Wall Street opening yesterday, the FT indices again settled at the day's highest. The FT-SE 100 share index, after being 6.9 down at 10.46 am, closed a net 7.2 up at 1588.2, while the FT Ordinary share index finished 2.2 higher at 1263.2, after 1255.4.

Potential buyers of Gilt-edged securities were unable to resist a clutch of favourable influences, including interest rate hopes, stronger US bond prices, a good sterling exchange rate and firmer oil prices. The ending of the recent buyers' strike touched off a recovery, extending to ⅝ in the longs, before the gains were pared to around ⅜. Index-linked issues were unaltered but the authorities sold supplies of the recently-created tranche of Treasury 2½ per cent 2020 at 95¼, and after-hours' announced its exhaustion.

Royal disappoints

Despite reporting interim profits of £87.4m against a loss of £17.8m, Royal's figures disappointed as dealers had expected a stronger profits recovery to around the £95m mark. Consequently, the shares dropped to 817p before closing the session 7 easier on balance at 824p. Other Composites drifted down in sympathy. Even General Accident, which pleased the market on Wednesday with a 25 per cent dividend increase and first-half profits of £48.4m against a £2.1m deficit, fell 15 to 818p, while Commercial Union relinquished 7 to 307p after comment on its half-year figures. Elsewhere, Life issues showed to good advantage with Equity and Law outstanding for a gain of 12 at 265p.

Investors supported the major clearers ahead of the forthcoming TSB flotation. NatWest rose 10 to 514p and Lloyds put on 7 at 415p, while Midland firmed 6 at 526p as did Barclays at 473p. Hire Purchases continued to reflect cheaper money hopes with Cattles 1½ dearer at 54½p and First National Finance Corporation 4 to the good at 182p. Moorgate Mercantile hardened a penny to 48p after press comment ahead of today's annual general meeting.

Suggestions that the Government may overturn the decision to refer the "tied" house system to the Monopolies Commission stimulated sizeable early support for leading Brewerings. Dealers reported occasional profit-taking towards the close, however, and most finished below the best. Allied-Lyons, still responding to hopes that Elders IXL will receive the green light from the Department of Trade, rose 5 more to 327p, after 330p, while Whitbread A put on 5 to 267p, after 270p. Bass advanced 20 to 765p. Regionals continued to highlight Greene King, up 10 more to 228p amid aggressive speculative buying.

Leading Buildings made progress for the fourth consecutive session. Buyers continued to favour Redland, up 4 more at 424p and Tarmac, 6 higher at 458p. George Wimpey gained 5 more to 213p and Taylor Woodrow hardened 5 to 555p. RMC revived strongly and settled 14 higher at 666p, but Blue Circle, after touching 552p, eased back to close 3 cheaper on balance at 547p. Recently-dull John Laing rallied 6 to 415p and Costain rose 10 to 530p. Elsewhere, Abbey touched 185p prior to closing a net 20 up at 182p in reply to the excellent annual results. McCarthy and Stone rose 10 to 260p following a broker's seminar, while Federated Housing continued to attract buyers ahead of the results and gained 8 more to 160p. Helical Bar picked up 6 at 233p on occasional buying interest, while Bryant Holdings improved 4 to 120p. Countryside found support at 475p, up 10 and A. Monk firmed 4 to 118p.

Chemicals traded quietly throughout. ICI closed 6 dearer at 998p after touching £10 at one stage. Hickson International improved 5 to 385p and Allied Colloids hardened a couple of pence to 197p.

Dixons firm

Cheaper money hopes helped leading Stores retain a firm bias. Dixons led the way with a rise of 10 to 354p, while Woolworth put on 15 at 655p. Elsewhere, the highly volatile Sumrie attracted revived speculative support and closed 6 better at 30p, while Empire gained 4 at 190p as did A. G. Stanley, at 80p. Term, on the other hand, receded 4 to 38p in the wake of the annual general meeting.

Leading Electricals failed to join the recovery movement, underlying sentiment in this area being unsettled by first quarter profit from Plessey at the lower end of expectations. Plessey drifted off to close 6 down at 194p, while falls of 2 were marked against GEC, 186p, Racal, 178p, and British Telecom, 198p. Elsewhere, Chloride advanced 7 to 52p amid vague speculation, but Cranbrook Electronic fell 4 to 51p on the half-year loss. Buying interest developed in Cap Group, which rose 10 to 195p, while Telemetrix were noteworthy for a rise of 6 at 62p. Fading bid hopes left United Scientific 10 cheaper at 148p.

Interest in the Engineering sector centred mainly around secondary issues. Davy Corporation featured a gain of 11 at 130p on a revival of takeover rumours; Trafalgar House has a stake in the company. Buying ahead of the interim figures due in early August left Babcock 6 to the good at 191p, after 196p, but further consideration of the preliminary statement prompted a reaction of 6 to 78p in Saville Gordon. Victor Products benefited from the recovery in the annual profits and closed 8 to the good at 128p, after 130p. Speculative activity prompted a rise of 4 to 30p in Thomas Locker, with the "A" shares 3 higher at 27½p. Weir, interim results expected on August 27, put on 4 further to 117p.

Food Manufacturers closed with small irregular movements. Retailers continued to make progress. ASDA-MFI firmed 4 afresh to 144p, while J. Sainsbury gained 6 to 386p on talk of a broker's circular. Tesco, however, closed 3 cheaper at 388p having touched 393p, initially. Elsewhere, Hillsdown firmed 5 to 305p following acquisition news, while Christian Salvesen hardened a couple of pence to 150p on details of the sale of its housebuilding subsidiary Whelmar (Yorkshire) to C. H. Beazer for £12.6m. Beazer eased 4 to 218p. Carr's Milling moved up 9 to 167p in a restricted market, while Hazlewood added 2 to 148p following a Press mention.

A quiet Hotel sector showed Grand Metropolitan a shade dearer at 382p, but Ladbroke 5 cheaper at 350p. Mount Charlotte, a couple of pence better on Wednesday following confirmation of merger talks with Pleasurama, eased a penny to 97p.

Extel feature

Extel featured miscellaneous industrials, advancing to 423p before closing 23 higher on the day at 410p following buying on behalf of Mr Robert Maxwell: around 4m shares were reported to have been purchased in order to oppose Extel's proposed acquisition of Dealers Digest Inc. Elsewhere, Manchester Ship Canal contrasted with a fall of 30 to 680p on the announcement that Gresham House and associates have no intention of accepting the Highams offer of £6.25 per ordinary share. Transatlantic buying following a recent seminar in the US left Hawley 5 higher at 99p, while *further persistent demand* prompted a fresh gain of 9 to 58p in Ashley Industrial Trust. BBA, on the other hand, dropped 18 to 212p following news of the proposed £68.7m rights issue. Star Computer were supported at 102p, up 9, while gains of around 10 were recorded in Bodycote, 310p, Dwek Group, 138p, and Scapa Group, 267p. London International were in demand again and closed 5 higher at 220p; earlier this week Soros Fund Management announced a 7.69 per cent stake in the company. Inclined easier initially, leading issues picked up to close a few pence better on balance.

Among Leisure issues, USM-quoted Viewplan dipped 21 to 53p on the announcement that bid talks had been terminated. Miss World eased 5 to 175p following the interim results, but Fairline Boats, an old takeover favourite, revived with a gain of 5 at 148p. Among television issues, LWT moved up 18 to 357p in a restricted market.

Appleyard were a good feature in Motors, touching 155p before closing 8 higher on balance at 151p in response to the good interim results. Hartwells added 5 at 90p, but British Car Auction, at 130p, lost 3 of the previous day's speculative rise of 9.

Good Relations, having been sold down to a new low of 80p this week on news of resignations at its corporate communications unit, rallied 15 to 100p in reply to the interim results and accompanying encouraging statement. Olives Paper jumped 8 to 50p following the profits recovery and Saatchi and Saatchi continued to look forward to possible Tokyo and New York listings with a fresh gain of 15 at 720p.

Dealings in Wingate Property Investment resumed yesterday following details of the 150p per share cash offer and proposed capital injection of some £47m over the next five years from Chase Corporation of New Zealand; Wingate's shares, suspended at 130p, were re-quoted at 175p and immediately soared to 320p prior to closing 160 up on the day at 290p. Other potential bid candidates in the Property sector were excited by the news with Imry, already in receipt of a bid approach, rising 25p to 880p. Warnford, another potential bid candidate, closed 25 higher at 380p, a three-day gain of 70. Elsewhere, Speyhawk rose 15 to 415p on confirmation that the company had won the tender for the Cannon Street complex in London. Hambros Countrywide firmed 5 to 295p following results from subsidiaries Mann and Co. and Bairstowe Eves. Centrovincial firmed 5 to 190p and Mountview Estates rose 20 to 740p.

Traded option activity influenced a good gain in Courtaulds which ended the session 6 higher at 269p, after 272p. Elsewhere in Textiles, Lister continued to reflect takeover speculation with a fresh improvement of 4 at 113p, while Hugh Mackay added 5 more to 113p for the same reason. Burmatex rose a further 6 at 192p and John Haggas firmed 4 to 148p. John Beales put on 3 at 156p following the preliminary figures, but reduced interim earnings left Corah a fraction off at 72½p.

Britannia Arrow returned to prominence among Financials, rising 7 to 143p on revived speculative support. Elsewhere in Investment Trusts, unitisation hopes helped push Pacific Investment up 2 more to a new peak of 122p, while gains of 5 and 10 respectively were seen in Crescent Japan, 233p, and Drayton Japan, 749p. Foreign and Colonial hardened a penny at 94p following the half-year results.

Oil shares were overshadowed by developments surrounding BP, but the overall tone remained steady. Shell touched 853p prior to closing 7 dearer at 850p, while Burmah revived with a gain of 7 at 379p. Britoil hardened a penny to 122p, as did Enterprise, to 121p. Ultramar, however, dipped to a year's low of 125p before closing 2 cheaper at 128p following comment on the interim results.

South African mining markets did little more than drift easier in extremely subdued trading. A lacklustre showing by bullion—finally $0.75 lower at $384.75 an oz—prompted further small offerings from the Cape where the strength of Golds in Rand terms again led operators to realise short-term profits.

Investors in London and New York were content to remain on the sidelines and, with a number of Continental centres winding down ahead of today's Assumption Day holiday, dealers expect the week to close on a quiet note.

Nevertheless, losses among top-quality Golds still extended to 2 points as in Vaal Reefs, £40. Randfontein, £46¾ and "Amgold" £38¾, dipped 1¼ and 1¾ respectively, while Southvaal eased a half-point to £18½. Smaller-priced counters also gave ground with Freegold 27 lower at 553p and Stilfontein 18 cheaper at 344p. The FT Gold Mines index dipped 3.5 to 230.2.

London domiciled Financials, on the other hand, made fresh progress. Consolidated Gold Fields, firm of late reflecting revived takeover chatter and favourable Press comment, advanced 7 more to 469p, after 472p, while buyers also returned for RTZ, another 11 dearer at 584p—a rise of 37 so far this week. East Rand Consolidated hardened a few pence to 41p; the interim results are scheduled for Monday.

Platinums closed with modest losses following the downturn in the metal price. Rustenburg, 720p, and Impala, 740p, fell 15 apiece.

Quietly mixed conditions prevailed in Australian mines, many investors appearing to be reluctant to risk fresh exposure to the sector ahead of next Tuesday's budget. Leading resource stocks featured CRA, 5 up at 242p, and MIM, 3 dearer at 74p. Golds, however, reacted to small selling in the wake of the lower bullion price. Poseidon eased 6 to 112p, while Central Norseman dipped 10 to 423p.

Traded Options

Traded Option volumes decreased slightly with 14,820 contracts transacted, but business was relatively well distributed through the list. Recent favourites British Telecom and Hanson Trust were again to the fore, recording 1,832 and 1,435 calls respectively. British Petroleum were lively following the sale of Guinness's holding in the company with 503 calls and 931 puts done. Elsewhere, the FT-SE 100 contributed 803 calls and 789 puts.

FINANCIAL TIMES STOCK INDICES

	Aug 14	Aug 13	Aug 12	Aug 11	Aug 8	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.00	88.86	89.17	88.98	88.86	83.70	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.34	95.69	95.76	95.63	95.77	88.64	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,263.2	1,261.0	1,242.0	1,228.7	1,217.4	976.7	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	230.1	233.7	232.9	238.0	202.9	330.3	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.36	4.37	4.42	4.47	4.51	4.82				
Earnings Yld.%(full)	10.57	10.60	10.72	19.86	10.93	11.86				
P/E Ratio (net) (*)	11.54	11.50	11.38	11.23	11.15	10.40				
Total Bargains (Est)	20,525	20,750	20,816	22,098	19,688	20,811				
Equity Turnover £m.	—	642.62	606.55	422.85	633.34	396.19				
Equity Bargains	—	20,011	19,711	17,977	22,264	19,036				
Shares Traded (ml).	—	298.6	274.6	200.1	302.5	204.5				

S.E. ACTIVITY

Indices	Aug 13	Aug 12
Gilt Edged Bargains	108.5	112.8
Equity Bargains	129.7	127.7
Equity Value	1298.9	1226.0
5-Day Average		
Gilt Edged Bargains	104.5	104.7
Equity Bargains	130.7	130.0
Equity Value	1152.1	1068.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1262.2	1259.1	1255.7	1259.6	1259.7	1260.9	1260.5	1262.4

Day's High 1263.4. Day's Low 1255.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.12.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed Aug 13 Index No.	Tues Aug 12 Index No.	Mon Aug 11 Index No.	Year ago (approx.) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thur August 14	Day's change %	Wed August 13	xd adj. today	xd adj. 1986 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Thur August 14	Wed August 13	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (70)

BRITISH FUNDS (7) Exch. 2½pc 1986. AMERICANS (10) Amer. Cyanamid, Ameritech, FPL Group, Ford Motor, Morgan (J.P.), Pacificorp, western Bell, US West. BANKS (1) Pacific Telesis, Quaker Oats, South-Banco de Bilbao SA. BUILDINGS (5) Abbey, Conder, HAT Grp., Rowlinson, Vibroplant. CHEMICALS (1) Schering AG. STORES (2) Brown (N.), Ramar Textiles. ELECTRICALS (1) Toshiba Corp. ENGINEERING (1) Wheway. FOODS (3) Dalepak Foods, Jacob (W. & R.), Tesco. INDUSTRIALS (8) Bridport-Gundry, Extel, Hutchison Whampoa, Jardine Hldgs., Oriflame, Scapa, Star Computer, Unilever. NEWSPAPERS (2) EMAP A, Musterlin. PAPER (7) Olives Paper Mill. PROPERTY (4) County Props. B, Imry Prop., Warnford Inv., Wingate Prop. TRUSTS (26). OILS (3) Royal Dutch, Shell Transport, Total-Compagnie Fr. Pet. B. MINES (1) Eastmet.

NEW LOWS (16)

AMERICANS (2) BankAmerica, IU Intl. STORES (2) Acsis Jewellery, Bentalls. ELECTRICALS (4) Cranbrook Elect., Ferranti, Murray Electronics, Powerline Intl. INDUSTRIALS (3) Appledore (A. & P.), Brit. Bloodstock, Wyko Grp. PAPER (1) LCA Hldgs. OILS (1) Ultramar. MINES (3) Rand London, Colby Res., Musto Explorations.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec.	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm.	10	C. Hoare & Co.	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NATN P	FL80	211	0.90	31	2.50	17	[illegible]	FL52.60
PHIL C	FL60	197	0.90	744	1.70	—	—	"
PHIL P	FL50	444	1.20	288	2.10	7	3.70	FL194.50
RD C	FL200	1220	3.50	179	7.80	239	11.50	"
RD P	FL180	192	1.20	349	2.50	62	3.40	FL 52.80
ROBE P	FL 90	—	—	—	—	30	2.90	FL307.50
UNIL C	FL540	261	4	—	—	—	—	"
UNIL P	FL500	64	8.50	35	17	—	—	

TOTAL VOLUME IN CONTRACTS: 43,542

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Money was given for the call of IBC, Burndene, Hawley, GEC, Tricentrol, Glanfield Lawrence, Amstrad, MAI, Imperial Continental Gas, *Good Relations*, Sound Diffusion, Thomas Locker A, Silentnight, RTZ, Underwoods, London International, Charterhall and WA Holdings. No puts or doubles were reported.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Allied-Lyons	22	322	+15	ASDA-MFI	13	140	+ 8
Burton Group	17	302	+14	Bass	13	745	+13
Guinness	17	330	+13	Beecham	13	398	+ 2
Gen. Accident	16	833	+21	Cons. Gold Flds.	13	462	+ 7
Reuters "B"	15	503	− 2	Polly Peck	13	162	+17
ICI	14	992	+ 2	Royal Insce.	13	831	+ 7

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Allied-Lyons	327	+ 5	Good Relations	100	+15
Appleyard	151	+ 8	Grand Metropolitan	382	+ 2
Blue Circle	547	− 3	ICI	998	+ 6
BP	598	+ 8	Royal Insurance	824	− 7
Chloride	52	+ 7	Saatchi & Saatchi	720	+15
Commercial Union	307	− 7	Unilever	£19	+ ⅛

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	0	25
Corporations, Dominion and Foreign Bonds	10	6	55
Industrials	404	208	908
Financial and Properties	155	80	372
Oils	17	12	87
Plantations	4	1	10
Mines	34	65	87
Others	86	49	87
Totals	790	386	1,631

LONDON TRADED OPTIONS

Option		CALLS Oct.	CALLS Jan.	CALLS Apr.	PUTS Oct.	PUTS Jan.	PUTS Apr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
Midland Bk (*529)	500	32	50	65	2	12	17
	550	5	20	35	25	32	37
	600	2	7	20	75	75	75
P. & O. (*505)	460	45	57	70	1½	6	12
	500	11	32	47	6	22	28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 14. Total contracts 14,820. Calls 10,746. Puts 3,074. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

Aug. 14	Price Sch.	+ or —
Credit'nst'lt pp	8,230	+15
Goesser	3,430	+80
Interunfall	13,350	+100
Jungbunzlauer	19,450	+150
Laenderbank	2,230	+20
Perimooser	615	+5
Steyr Daimler	157	—1
Veitscher Mag	10,600	—190

BELGIUM/LUXEMBOURG

Aug. 14	Price Frs.	+ or —
B.B.L.	3,250	—40
Banq. Gen. Lux	18,500	
Banq. Int.A.Lux	14,975	+175
Bekaert	11,900	
Ciment CBR	5,650	—20
Cockerill	137	+8
Delhaize	3,150	
EBES	4,800	+35
Electrobel	14,925	
Fabrique Nat	2,065	—25
GB Inno BM	7,800	
GBL (Brux)	3,215	+35
Generale Bank	6,030	
Gevaert	5,860	
Hoboken	7,530	+10
Intercom	3,900	—15
Kredietbank	16,100	
Pan Hldgs	11,050	+250
Petrofina	8,850	—80
Royale Belge	27,500	+300
Soc. Gen. Belge	3,190	+10
Sofina	10,300	+100
Solvay	7,650	+20
Stanwick Intl	250	
Tractionel	6,660	—10

GERMANY

Aug. 14	Price Dm.	+ or —
AEG	312	+5
Allianz Vers.	2,470	+35
BASF	266.5	
Bayer	286.3	+1.2
Bayer-Hypo	601	—2
Bayer-Verein	563	+10
BHF-Bank	539	+6
BMW	573	—3
Brown Boveri	328	+5.5
Commerzbank	319.5	—0.5
Cont'l Gummi	321.5	—1.5
Daimler-Benz	1,247	—11.5
Degussa	475	—7
D'sche Babcock	187	+4
Deutsche Bank	827	—1.5
Dresdner Bank	441.5	—2.5
Feld-Muehle Nbl	299	—3.5
Henkel	435	+2.5
Hochtief	1,140	+20
Hoechst	267	+1
Hoesch Werke	168	+3
Holzmann (P)	569	—6
Horten	214	—5
Hussel	618	+3
Karstadt	429	
Kaufhof	507	—3.5
KHD	222	—1
Kloeckner	85	—0.5
Linde	738	—2
Lufthansa	194	+2
MAN	235	—1.8
Mannesmann	191.5	—7.0
Mercedes Hld	1,085	—20
Metallgesell	316	+1
Muench Rueck	2,580	—70
Nixdorf	643.2	+4.2
Porsche	1,075	+12
Preussag	189	+3

NORWAY

Aug. 14	Price Kroner	+ or —
Bergens Bank	157.5	
Borregaard	355	
Christiania Bank	173.5	
DenNorske Cred.	161.5	
Elkem	95.5	—1.5
Kosmos	137.5	—2.5
Kvaerner	170	—1
Norcem	95	—2.5
Norsk Data	219	+9.5
Norsk Hydro	137.5	—3.5
Storebrand	270	+5

SPAIN

Aug. 14	Price Pta %	+ or —
Bco Bilbao	1,040	+20
Bco Central	795	+35
Bco Exterior	420	+20
Bco Hispano	424	+7
Bco Popular	1,275	+60
Bco Santander	784	+35
Bco Vizcaya	1,450	+25
Dragados	366.5	+17.5
Hidrola	116	—0.5
Iberduero	167.7	+1.7
Petroleos	351	+1.5
Telefonica	194.7	+5.7

SWEDEN

Aug. 14	Price Kronor	+ or —
AGA	212	+8
Alfa-Laval B	350	—5

CANADA

TORONTO
Prices at 2.30pm August 14

Indices

	Aug. 14	Aug. 13	Aug. 12	Aug. 11	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1163.8	1160.2	1149.2	1153.9	[illegible]	[illegible]
Metals & Mnls. (1/1/80)	536.5	557.0	535.7	529.9	[illegible]	[illegible]
AUSTRIA						
Creditbk Aktien (30/12/81)	233.69	233.70	235.05	233.24	256.64	[illegible]
BELGIAN						
Brussel SE (1/1/84)	3809.49	3806.59	3731.97	3767.24	[illegible]	[illegible]
DENMARK						
Copenhagen SE (3/1/83)	205.44	206.03	206.21	206.71	250.78	[illegible]
FRANCE						
CAC General (31/12/82)	385.57	384.0	353.4	360.4	[illegible]	[illegible]
Ind Tendance (31/12/82)	148.2	147.2	146.5	145.5	[illegible]	[illegible]
GERMANY						
FAZ Aktien (31/12/58)	674.30	669.93	665.46	665.00	[illegible]	[illegible]
Commerzbank (1/12/53)	2054.6	2020.0	2002.0	2014.0	[illegible]	[illegible]
HONG KONG						
Hang Seng Bank (31/7/64)	1925.16	1908.02	1905.00	1927.84	[illegible]	[illegible]
ITALY						
Banca Comm Ital. (1972)	765.09	749.99	744.57	739.37	[illegible]	[illegible]
JAPAN**						
Nikkei (16/5/49)	18264.7	18000.76	17794.7	[illegible]	[illegible]	[illegible]
Tokyo SE New (4/1/68)	1515.09	1495.14	1470.02	1457.22	[illegible]	[illegible]
NETHERLANDS						
ANP.CBS General (1970)	297.7	297.7	296.6	295.0	[illegible]	[illegible]
ANP.CBS Indust (1970)	299.6	298.7	297.7	[illegible]	[illegible]	[illegible]
NORWAY						
Oslo SE (4/1/83)	348.19	348.03	344.39	340.93	[illegible]	[illegible]
SINGAPORE						
Straits Times (30/12/66)	802.52	797.90	790.07	777.71	[illegible]	[illegible]
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1572.6	1540.3	[illegible]	[illegible]	[illegible]
JSE Indust (28/9/78)	—	1296.0	1267.5	[illegible]	[illegible]	[illegible]
SPAIN						
Madrid SE (30/12/55)	191.68	187.98	186.17	[illegible]	[illegible]	[illegible]
SWEDEN						
Jacobson & P (31/12/56)	2592.54	2592.54	2620.62	2561.90	2620.62	[illegible]
SWITZERLAND						
SwissBank Cpn (31/12/58)	537.4	537.3	533.6	524.8	[illegible]	[illegible]
WORLD						
M.S. Capital Intl. (1/1/70)	—	345.1	340.7	[illegible]	345.1	[illegible]

** Saturday August 9. Japan Nikkei (c). TSE (c)

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

Conv 9½% '05	£100⅝	+ ⅝
Abbey	182	+20
Appleyard	151	+8
Ashley Ind Trust	58	+9
Babcock Int	191	+8
Bass	765	+20
BP	598	+8
Burmah Oil	379	+7
Chloride	52	+7
Courtaulds	289	+6
Davy Corp	130	+11
Dixons Group	354	+10
Extel	410	+23
Federated Hous	160	+8
Good Relations	100	+15
Greene King	228	+10
Helical Bar	232	+8
Imry Prop	380	+25
NatWest Bank	514	+10
Olives Paper Mill	50	+8
Speyhawk	415	+15
Sumrie Clothes	30	+6
Victor Products	128	+8
Wingate Property	290	+160 †

FALLS

BBA	212	—18
Man Ship Canal	630	—30
Plessey	194	—6
Saville Gordon	36	—6
Viewplan	53	—21

† Change based on price at suspension.

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 31

Prices at 3pm, August 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	17¼	SierPac .72		6.6	15	230	u26⅛	25⅝	26⅛	+½
38½	23¾	Signal 1.24		3.6	11	585	35¾	34¾	35⅝	+1¼
59⅞	33⅛	Singer .40		.8	13	562	53½	52¾	53	+¼
40⅞	31½	Singr pfC 50		8.6		10	40	40	40	+⅜
21	12⅞	Skyline .48		3.2	16	119	15¼	14⅞	14⅞	−⅛
9¼	1¼	vjSmith(08j				399	2¾	2½	2½	−¼
105⅜	63⅛	SmkB	3	3.3	14	714	92⅜	91¼	91¼	−¾
51⅞	34⅞	Smckr s .60		1.4	19	37	42¾	41¾	41¾	−¾
29⅞	18¾	SnpOn s .64		2.3	18	x447	28¼	27⅞	27¾	−⅛
15¾	9½	Snyder 1.50		15		116	10⅛	10	10⅛	−⅛
37⅝	21⅜	Sonat	2	8.1		519	24¾	24¼	24¾	+⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32⅜	14	UniFrst .20		.7	19	4	28½	28½	28½	
112½	53½	Unilvr	3e	2.6	17	71	u115¼	114¼	115	+4
221¼	102½	UniNV 5.66e		2.6	19	643	219	217½	217½	−11
54½	33¾	UCamp1 64		3.2	27	1263	51½	49½	50½	+1
25½	18¾	UCarb s1.50		6.9		3862	22	21¾	21⅞	−⅛
3⅝	3⅛	UnCrb rt				3208	3½	3½	3½	−⅛
13¼	5⅛	UnionC				65	9⅛	9	9⅛	+⅛
30½	16⅞	UnElec1 84		6.0	12	1694	u30¾	30⅛	30¾	+¼
49	32	UnEl pf	4	8.9		z620	45	45	45	+1
50	37	UnEl pf4 50		9.0		z150	50	49	50	+3⅓
75¼	52½	UnEl pf6.40		8.9		z20	72	71	72	+2

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	15	Wynns	.60	2.7		18	22	21¾	22	+½
72¼	45¾	Xerox	3	5.3	17	1830	57	56½	56½	−⅛
58¼	53½	Xerox pf5.45		9.5		2104	57¼	56¾	57¼	
28¾	20⅝	XTRA	.64	2.7		x37	23⅝	23⅜	23⅝	+¼
17⅝	13½	Yorkin n				85	15⅞	15⅝	15¾	−⅛
39	26¼	ZaleCp 1.40		3.8		402	36¾	36½	36½	
9½	3½	Zapata	.03j			42	4	3⅞	3⅞	
43⅞	23⅞	Zayre s	.32	1.1	20	2369	30	29¼	29¼	+⅛
17	11	Zemex	.40	3.6	11	1	11⅛	11⅛	11⅛	+⅛
29⅞	16¼	ZenithE				528	24⅝	24¼	24⅝	+⅜
18½	8⅝	ZenLb s			29	1158	11¾	11⅝	11⅝	−⅛
22⅜	14⅜	Zero s	.29	1.9	15	117	15⅜	15	15⅜	+¼
45¾	32¾	Zurnin 1.32		3.5	14	37	37¾	37⅜	37¾	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration

a-dividend also extra(s) b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year. omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, August 14

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 29

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Strength on lower rates optimism

CONFIDENCE in the downward trend of interest rates enabled Wall Street stocks to overcome some early profit-taking yesterday, *writes Terry Byland in New York.*

However, the advance faltered at mid-session when bond prices gave ground.

At 3pm Dow Jones industrial average was up 2.81 at 1,847.30.

The advance in stock prices was hesitant, but analysts were impressed by the market's ability to resist profit-takers, who were expected to take advantage of this week's strong rebound.

Despite the mixed signals from the US, Japan and West Germany, Wall Street remained optimistic on prospects for another round of interest-rate reductions. Stock-market speculators were unwilling to allow share prices to fall back over this weekend although most European markets will be closed and action on global interest rates is thought unlikely.

On the domestic front, the market made little response to the minor gains in US retail sales and business inventories. Further data, due this week, is expected to confirm the sluggishness of the US economy.

The first signs of midsummer lethargy began to appear, but equity turnover speeded up when the market turned higher. Technology stocks, which have traced a mixed pattern recently, gave a good lead.

IBM gained $1 to $135 in brisk trading, and also active was Honeywell at $67⅞ on a rise of $1⅜. Burroughs, which said it expected to complete the Sperry merger today, edged up $¼ to $72.

Among interest-orientated issues, bank stocks were generally firm although the weak spot was BankAmerica which returned to its low of $12, later steadying to $12⅛, a net $¼ off after Mr Charles Schwab resigned from the board of the ailing Californian bank.

Navistar, formerly International Harvester, eased $⅛ to $7¾ in a selling spurt which followed disclosure of poor trading results.

The Detroit car stocks lost their shine as the major names trimmed production plans in the light of disappointing industry sales figures. General Motors, continuing to lose market share, gave up $⅞ to $71¾. Ford, strong earlier in the week, shed $⅝ to $59⅝, and Chrysler lost $¼ to $39½.

Stock in CBS, the TV network operator sprang into the limelight again, surging nearly $10 before steadying at $143¾, a net gain of $6¾ as the market pondered the outlook for the 23 per cent stake in CBS held by Loews Corp. Loews, at $69⅞, gained $1¾.

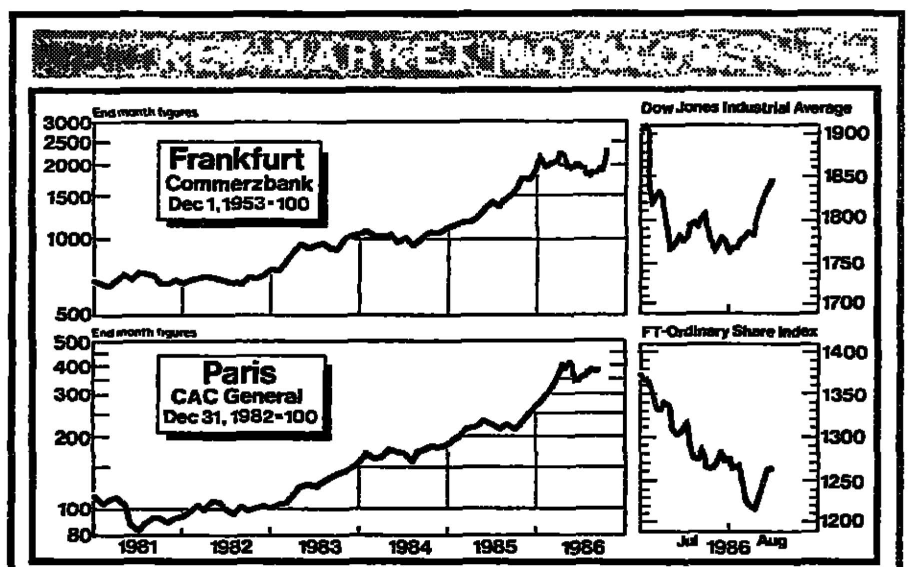
Conifer, a Massachussets bank, bounded $2⅞ to $54½ after spurning Fleet Financial in favour of a $62-a-share offer from Bank of New England.

Stock in Ex-Cell-O jumped $1⅛ to $76¼ after the board decisively rejected the offer of $68 a share from Textron. Preferred stock in NL Industries added $⅞ to $11⅝ on an agreement with Amalgamated Sugar intended to lead to redemption of the preferred shares.

L'Air Liquide of France opened its $29-a-share tender offer for Big Three, the Texan energy concern, which edged up $¼ to $28¾. Hammermill Paper at $64⅛ added $⅛ as International Paper began its tender offer of $64.50 cash for each Hammermill share.

In the credit market, rates remained weak behind federal funds at 6 5/16 per cent – slightly higher than overnight but still at the lower end of the recent range. Some analysts believe the Fed may have already started to ease policy in order to stimulate the economy.

But bond prices began to erode at midday as European markets quietened down ahead of today's holiday in several centres.



STOCK MARKET INDICES

	August 14	Previous	Year ago
NEW YORK			
DJ Industrials	1,847.30*	1,844.49	1,316.98
DJ Transport	752.00*	748.13	674.16
DJ Utilities	209.87*	209.16	156.19
S&P Composite	246.32*	245.67	187.41
LONDON			
FT Ord	1,263.2	1,261.0	976.7
FT-SE 100	1,588.2	1,581.0	1,259.1
FT-A All-share	783.63	780.13	628.53
FT-A 500	861.63	857.75	685.96
FT Gold mines	230.1	233.7	330.3
FT-A Long gilt	9.53	9.55	10.30
TOKYO			
Nikkei	18,264.70	18,000.76	12,419.6
Tokyo SE	1,515.09	1,495.14	1,000.04
AUSTRALIA			
All Ord.	1,163.8	1,160.2	956.4
Metals & Mins.	536.5	537.0	553.3
AUSTRIA			
Credit Aktien	233.69	233.70	184.54
BELGIUM			
Belgian SE	3,809.49	3,806.59	2,320.44
CANADA			
Toronto			
Metals & Minls	2,062.8*	2,069.6	2,073
Composite	3,033.4*	3,038.9	2,783.1
Montreal			
Portfolio	1,515.77*	1,519.35	136.03
DENMARK			
SE	203.44	206.03	213.16
FRANCE			
CAC Gen	385.30	384.00	216.0
Ind. Tendance	148.20	147.20	79.6
WEST GERMANY			
FAZ-Aktien	674.30	669.93	481.67
Commerzbank	2,034.60	2,020.00	1,420.0
HONG KONG			
Hang Seng	1,925.16	1,908.02	1,691.73
ITALY			
Banca Comm.	765.09	749.99	351.02
NETHERLANDS			
ANP-CBS Gen	n/a	297.70	216.1
ANP-CBS Ind	298.60	298.70	190.0
NORWAY			
Oslo SE	348.19	348.03	345.07
SINGAPORE			
Straits Times	802.62	797.90	751.56
SOUTH AFRICA			
JSE Golds	–	1,572.6	912.9
JSE Industrials	–	1,296.0	927.2
SPAIN			
Madrid SE	191.68	187.88	81.78
SWEDEN			
J & P	n/a	2,592.54	1,342.01
SWITZERLAND			
Swiss Bank Ind	537.40	537.30	459.5
WORLD	Aug 13	Prev	Year ago
MS Capital Int'l	345.1	340.7	217.0

COMMODITIES

(London)	Aug 14	Prev
Silver (spot fixing)	354.50p	365.35p
Copper (cash)	£879.75	£880.50
Coffee (Sept)	£1,812.50	£1,847.50
Oil (Brent blend)	$14.00	$14.00

GOLD (per ounce)

	August 14	Prev
London	$384.75	$385.50
Zürich	$384.20	$385.50
Paris (fixing)	n/a	$386.09
Luxembourg	$384.75	$385.25
New York (Dec)	$393.70	$391.70

CURRENCIES

(London)	US DOLLAR Aug 14	Previous	STERLING Aug 14	Previous
$	–	–	1.4935	1.4860
DM	2.0620	2.0700	3.080	3.075
Yen	153.70	154.25	229.5	229.25
FFr	6.7075	6.7350	10.0175	10.010
SFr	1.6620	1.6700	2.4825	2.4825
Guilder	2.3235	2.3320	3.470	3.465
Lira	1,419.5	1,423.5	2,120	2,115.25
BFr	42.65	42.80	63.70	63.60
C$	1.3855	1.3885	2.0685	2.0620

INTEREST RATES

	Aug 14	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9 11/16
SFr	4⅝	4⅝
DM	4⅝	4⅝
FFr	7⅛	7 3/16
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6⅛
6-month US$	6 11/16	6⅛
US Fed Funds	6 5/16*	6⅜
US 3-month CDs	5.85*	6.225
US 3-month T-bills	5.56*	5.72

US BONDS

Treasury		August 14* Price	Yield	Prev Price	Yield
6⅞	1988	100 5/32	6.399	100 5/32	7.365
7¼	1993	101⅞	7.021	101⅞	7.02
7¼	1996	101 9/32	7.156	101 9/32	7.16
7¼	2016	99	7.295	99	7.28

Source: *Harris Trust Savings Bank*

Treasury Index Maturity (years)	Return index (Aug 14*)	Day's change	Yield	Day's change
1–30	158.20	+0.12	7.01	–0.01
1–10	148.30	+0.07	6.76	–0.01
1– 3	138.83	+0.02	6.40	+0.00
3– 5	150.62	+0.01	6.93	+0.00
15–30	184.65	+0.29	7.85	–0.01

Source: *Merrill Lynch*

Corporate	August 14 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91.315	6.45	91⅜	6.43
SCBT South Central				
10⅞ Jan 1993	106⅞	9.548	106⅞	9.573
Phibro-Sal				
8 April 1996	99	8.149	98	8.302
TRW				
8⅞ March 1996	102½	8.363	102½	8.363
Arco				
9⅞ March 2016	106⅛	9.265	105⅞	9.3
General Motors				
8⅛ April 2016	93	8.791	92¼	8.867
Citicorp				
9⅞ March 2016	99⅞	9.4	99	9.476

Source: *Salomon Brothers*

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	100-28	101-11	100-18	101-01
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.60	94.64	94.59	94.66
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	94.20
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.80	93.84	93.78	93.76
20-year National Gilt £50,000 32nds of 100%				
Sept	120-09	120-13	120-01	119-26

* *Latest available figures*

TOKYO

Record run on massive buy orders

ANOTHER RECORD was reached in Tokyo yesterday as shares closed higher for the sixth consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital heavy electricals and chemicals drew massive buy orders, with interest spreading to trading houses, general contractors and securities houses.

The Nikkei average gained 263.95 from the previous day to 18,264.71, eclipsing the previous high of 18,050.59 set on July 25. Volume totalled 1,606m shares, the second-heaviest on record, up from Wednesday's 1,540m. Gainers outpaced losers 452 to 400, with 120 issues unchanged.

Despite Bank of Japan governor Satoshi Sumita's negative stance on a fourth discount-rate cut this year, investor expectations were high for co-ordinated interest-rate reductions by Japan, the US and West Germany, which would drive leading stock markets up further.

Against this background, individual as well as institutional investors were active from the start of the session. But issues which led the market upswing that began on August 7 took a breather.

Toshiba topped the active list with 104.07m shares changing hands, rising Y20 to Y628. Mitsubishi Electric, fourth with 75.51m shares, advanced Y4 to Y470. Sumitomo Chemical gained Y35 to Y448 and Mitsui Toatsu Chemicals Y29 to Y425.

Toray and Teijin, both synthetic fibre makers closed Y46 and Y26 higher at Y710 and Y585, respectively.

However, recently selected steels and shipbuildings came under profit-taking pressure, with Kawasaki Steel falling Y2 to Y219, Nippon Kokan Y4 to Y249 and Ishikawajima-Harima Heavy Industries Y4 to Y427.

Buying interest in electric powers and gases weakened. Tokyo Gas dipped Y1 to Y878 while Tokyo Electric Power ended at Y6,400, unchanged from the previous day.

General contractors performed strongly. Kajima leaped Y70 to Y1,150, Taisei Y42 to Y688 and Ohbayashi Y37 toY887.

Trading houses were bought briskly, with Mitsubishi soaring Y100 to a record Y1,060, surpassing the peak of Y1,020 reached in November 1979. C. Itoh added Y54 to Y834 and Mitsui and Co Y32 to Y643.

Securities houses also fared well on reports that the booming stock market would bolster the combined recurring profit of the "big four" brokerage houses in the year ending September by more than 60 per cent from the previous term. Nomura surged Y200 to Y3,300 and Daiwa Y150 to Y2,140.

Their strong performances triggered rises in other financial issues. Tokio Marine and Fire Insurance jumped Y30 to Y1,640 and Sumitomo Trust and Banking Corp Y140 to Y2,640.

Bond prices eased, undermined by selling by dealer sections in banks and securities houses for profit-taking, although expectations for co-ordinated interest-rate cuts by major advanced countries remained widespread.

The yield on the benchmark 6.2 per cent government bonds, maturing in July 1995, fell to Y4.615 per cent in early trading. Later, selling increased as the yield slipped to nearly 4.600 per cent. The benchmark issue ended with a yield of 4.640 per cent, compared with the previous day's 4.635 per cent.

SOUTH AFRICA

AFTER A WEEK of higher sessions, Johannesburg turned easier at the outset of trading and continued around the lower levels until the close.

Gold issues faded in reaction to a lower bullion price. Vaal Reefs gave up R8 to R300, and Driefontein eased 50 cents to R61.50.

Platinums turned lower, with Rustenburg down 75 cents at R53.25, and diamond share De Beers ended unchanged at R33.25.

Coal shares staged a muted rally after their recent slide on sanctions worries. Trans-Natal firmed 15 cents to R7.30, and Anglo American Coal added 25 cents to R29.

EUROPE

Stockholm creeps up to a peak

THE FOCUS of attention on the European bourses remained fixed on Sweden and the Netherlands yesterday as many investors prepared for today's market holiday.

Stockholm hit a new peak in moderately high turnover. The advance was not uniform, however, with some leading blue chips showing falls.

Volvo was one of the most active with its SKr 2 gain to SKr 405 while Electrolux, also busy, retreated SKr 1 to SKr 304.

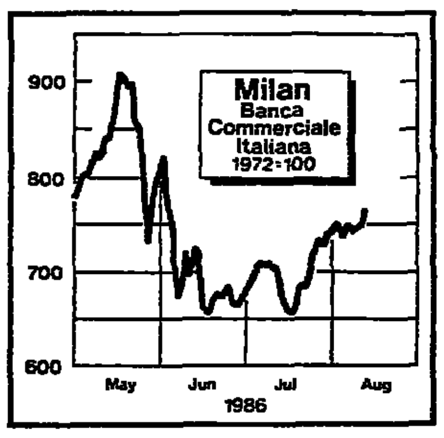
Pharmacia and Asea released results after the close of business: the former finished steady at SKr 208 and the latter shed SKr 1 to SKr 379.

Amsterdam held steady at its recently established peak as foreign support dried up and local profit-takers reasserted their influence. The ANP-CBS General index was unchanged at its peak of 297.7.

Nedlloyd, which also reported a sharp fall in profits for the first half, dropped Fl 2.00 to Fl 161.00.

Paper group KNP advanced Fl 2.30 to Fl 166 on its jump in earnings while publisher VNU sprinted Fl 6.00 to Fl 348.

KLM was an early feature with its Fl 2.70 drop to Fl 47.60 after revealing a 29 per cent drop in first-quarter profits due to the effects of the dollar and intense price competition.



Philips retreated 80 cents to Fl 152.60 on profit-taking after its higher results released on Wednesday.

Frankfurt was narrowly mixed on a mild bout of profit-taking and some unease over the weaker dollar. News that the Bundesbank had not altered its credit policy had little impact on trading. The Commerzbank index, nevertheless, managed to show a mid-session gain of 14.6 to 2,034.6.

Car makers showed some of the largest falls. Porsche, reflecting the easier dollar, retreated DM 12 to DM 1,075, Daimler lost DM 11.50 to DM 1,247 and VW was DM 3 cheaper at DM 532.

Banks were broadly lower, with Deutsche Bank down DM 1.50 to DM 827 and Dresdner Bank off DM 2.50 to DM 441.50. Insurer Allianz moved against the trend with its DM 35 rise to DM 2,470.

Bayer put on the best showing in a largely stable chemicals sector as it rose DM 1.20 to DM 286.20.

Deutsche Babcock, which forecast improved earnings for the current year, rose DM 4.00 to DM 187.00.

Sports goods group Puma was actively higher again with its DM 298 jump to DM 1,398. Other strong features of the session were AEG, up DM 5 at DM 312, and Nixdorf, DM 4.20 higher at DM 643.20.

Bonds were active on strong foreign support pushing prices up 40 basis points on interest-rate speculation. Sentiment was underpinned by the lower dollar and the overnight gains in the US credit markets.

The average yield on public-authority bonds eased one basis point to 5.63 per cent, according to Bundesbank data. The central bank sold DM 60.3m worth of paper after buying DM 3.5m on Wednesday.

Milan was buoyed by strong demand for insurers. Sentiment continues to be underpinned by the belief that the official discount rate will be cut soon and by the strong earnings performance of some leading industrials.

Volume was boosted by yesterday's monthly deadline for option conversions, today's national holiday and Monday's settlement session.

Generali jumped L5,100 to L152,400 as Ras rose L2.600 to L57.500 and Toro closed steady at L28.459.

Buitoni in the food sector gained L795 to L10,495 in continued response to the end of the "pasta war" between the US and the EEC.

Paris was mixed to higher in moderate pre-holiday volume partly ascribed to a strong overnight showing on Wall Street and the lower French July inflation figures.

Zurich posted widespread gains with some softness detected among banks and insurers. Bonds were actively higher on hopes that West Germany would move on interest rates. **Brussels** finished mixed, and **Madrid** was buoyed by banks and constructions. **Oslo** had another busy session and closed mixed.

SINGAPORE

THE RALLY continued in Singapore yesterday, and the Straits Times index surged through the 800 threshold to finish up 4.72 at 802.62, its highest level for 14 months.

Buying concentrated on blue chips although some secondary issues made gains.

Keppel Corporation was one of the few issues to fade, losing 1 cent to S$1.86 despite an announcement of sharply reduced net losses for the half year to June and a forecast that the group would break even by the end of the year.

Banks registered strong gains. DBS, which will take full control of Singapore's largest discount company, National Discount Company, advanced 20 cents to S$7.90, and OCBC added 30 cents to S$7.85 while UOB rose 22 cents to S$4.24.

CANADA

MOST SECTORS turned lower throughout the day in Toronto, resisting the strength on Wall Street.

The retreat was led by industrial issues, with most-active share Amca International trading C$⅝ lower at C$14¼, Canadian Pacific slipping C$¼ to C$14⅞ and Northern Telecom down C$⅝ at C$40⅝.

Oils, however, moved against the trend. Imperial Oil Class A advanced C$⅝ to C$41, Texaco Canada added C$⅛ to C$27⅞ and Dome Petroleum moved 4 cents up at C$1.28.

Montreal followed Toronto's lower lead.

LONDON

Boosted by BP share placing

LEADING EQUITIES continued to rise in London after a cautious start on early speculation of an impending market development in British Petroleum, up 8p at 598p, and around mid-morning Guinness, 3p lower at 327p, confirmed the sale of 18.8m BP shares.

UK broker Hoare Govett and US investment house Salomon Bros combined to set a market precedent, giving London the first taste of the type of deal likely to feature regularly after the Big Bang on October 27. They bought the BP shares in a single block trade at a price of 575p a share. Hoare Govett later placed in the traditional way 14.8m shares with institutions worldwide at a slightly higher level, believed to be 576¾p.

Confidence continued to grow throughout the afternoon, and the FT-SE 100 share index closed a net 7.2 up at 1,588.2 while the FT Ordinary share index finished 2.2 higher at 1,263.2.

The ending of the recent buyers' strike touched off a recovery in gilts extending to ⅝ in the longs before the gains were pared to around ⅜.

Chief price changes, Page 29; Details, Page 28; Share information service, Pages 26-27.

AUSTRALIA

SENTIMENT REMAINED bullish in Sydney ahead of Tuesday's budget announcement, and prices ended firmer in most sectors.

The All Ordinaries share index continued to inch ahead with a gain of 3.6 to 1,163.8 while the All Industrials added 7.6 to 1,853.9.

Quality industrials were the chosen sector of the day, offsetting a worse than expected July current account deficit of A$1.56bn.

Brambles, the transport group, put on 12 cents to A$6.20 while BHP added 4 cents to A$8.30.

Gains filtered through to other issues, especially in the property, finance and media sectors.

Lend Lease advances 10 cents to A$8.50, and Hooker rose 5 cents to A$2.35 while News Corp added 60 cents to A$22.90 and Industrial Equity ended 10 cents higher at A$6.50.

HONG KONG

EARLY GAINS in Hong Kong were slightly eroded by profit-taking, but most shares managed to hold on to some of their rises.

The Hang Seng index, which broke through its high of 1,931.29 at one stage early in the day, ended up 17.14 at 1,925.16.

Speculation that interest rates would fall bolstered property issues. Cheung Kong rose 20 cents to HK$24.30, Hongkong Wharf a similar amount to HK$8.10, Hongkong Land 10 cents to HK$6.35 and New World Development 25 cents to HK$6.60.

Overseas buying boosted commercial and industrial issues, with Hutchison Whampoa 25 cents higher at HK$33.75 and Jardine Matheson 10 cents up at HK$15.40